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ABSTRACT

The social policy implications of demographic trends are examined, to help policy makers anticipate future needs for services with greater accuracy. Crises such as energy needs and social security financing illustrate the need for greater recognition of the time dimension of public policy. Many of our most difficult problems, if they are to be tractable at all, must be addressed in a long-range setting. There are four major sections to the publication. Section A provides an overview of demographic trends. Examined are general population trends, the family and household formations, and the aging population. Section B analyzes the impact of demography on social programs and examines the budgetary implications of demographic changes. Section C deals with regional aspects of migration, the impact of demographic change on housing and community development, and central city issues. The fourth section discusses the impact of demographic trends and changes on the labor force, educational policy, income maintenance programs, and federal health programs. (RM)

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97th Congress
2d Session } JOINT COMMITTEE PRINT

THE IMPACT OF DEMOGRAPHIC CHANGES ON SOCIAL PROGRAMS

A STUDY

PREPARED FOR THE USE OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

MAY 7, 1982

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(II)

LETTERS OF TRANSMITTAL

MARCH 16, 1982.

To the Members of the Joint Economic Committee:

Transmitted herewith for the use of the members of the Joint Economic Committee and other Members of the Congress is a study entitled "The Impact of Demographic Changes on Social Programs."

This study was conducted by the Congressional Research Service under the direction of William Robinson, Senior Specialist in Social Welfare. It contains a series of papers by senior analysts at CRS, as well as senior researchers from the Congressional Budget Office, the Urban Institute, the RAND Corporation, and the University of Wisconsin.

The study provides an overview of demographic trends and methods for analyzing their effects on the Federal budget and specific areas of public policy. Individual papers discuss the effects on entitlement programs, central city finances, regional growth and decline, education and manpower, housing and community development, and health care.

The views expressed in this study are those of the authors and do not necessarily reflect the views of the Joint Economic Committee or any of its members.

Sincerely,

HENRY S. REUSS,
Chairman, Joint Economic Committee.

MARCH 9, 1982.

Hon. HENRY S. REUSS,
Chairman, Joint Economic Committee,
Congress of the United States, Washington, D.C.

DEAR MR. CHAIRMAN: Transmitted herewith is a study entitled "The Impact of Demographic Changes on Social Programs."

The study was coordinated and edited by Mary Eccles of the committee staff.

The committee wishes to express its appreciation to the Congressional Research Service, with special thanks to project director William Robinson and the authors of the papers for their valuable contributions to this volume.

Sincerely,

JAMES K. GALBRAITH,
Executive Director, Joint Economic Committee.

DECEMBER 4, 1981.

HON. HENRY S. REUSS,
Chairman, Joint Economic Committee,
Congress of the United States, Washington, D.C.

DEAR MR. CHAIRMAN: I am pleased to transmit a study entitled "The Impact of Demographic Changes on Social Programs" which your committee requested. The study consists of several papers authored primarily by senior analysts at the Congressional Research Service, and supplemented by senior researchers at the Congressional Budget Office, as well as private academic institutions. The project was coordinated by William Robinson, Senior Specialist in Social Welfare at CRS.

We share your interest in lengthening the time horizon for considering public policy in the United States, and welcome the opportunity to contribute to the dialogue about where we might be going as a Nation in the coming decades. In this spirit, the papers are short and written in nontechnical terms to keep the potential audience as wide as possible. They use the relatively solid base of projected population changes in the country to conjecture about the possible changes that may occur in programs designed to serve people and their needs.

The study begins with an overview of demographic changes (authored by Dennis Little of CRS), moves to different ways of assessing the impact of demographic changes on programs (Robinson of CRS, and Paul Ginsburg of the Congressional Budget Office), analyzes the regional dimensions of population change (Peter Morrison of the RAND Corporation)—including the impact on housing and community development (Morton Schussheim of CRS) and on central cities (Robert Reischauer, formerly of CBO and now at the Urban Institute), and concludes with papers on labor policy (Everett Kassalow, formerly of CRS, now at the University of Wisconsin), education (K. Forbis Jordan of CRS), income maintenance programs (P. Royal Shipp, CRS), and health policy (Glenn R. Markus, CRS).

I would like to express my appreciation to those outside CRS who contributed to the project, as well as to our own CRS analysts. I hope you find the volume useful.

Sincerely,

GILBERT GUDE,
Director, Congressional Research Service,
Library of Congress.

FOREWORD

By Chairman Henry S. Reuss

This volume, compiled for the Joint Economic Committee by the Congressional Research Service, explores the social policy implications of demographic trends. It discusses the major determinants of population patterns—such factors as birth rates, household composition, mobility, and longevity—and shows how these forces will influence a variety of social needs.

Programs whose benefits are distributed to individuals will be strongly affected by trends which cause the size of the target population to change. For example, despite declining birth rates for the country as a whole, higher birth rates among poor families—including increasing numbers of births by teenagers—will contribute to rising welfare costs. Another factor affecting the size and location of the poverty population, the continued growth of female-headed households, will put similar pressure on income support programs and further strains on financially hard-pressed central cities.

The convergence of several demographic forces—lowered birth rates, increased life expectency, and the aging of the post-war baby boom generations—is producing a marked shift in the age characteristics of the population. These demographic developments are the principal reason for future financial strains on the Social Security system: the relatively greater numbers of elderly beneficiaries and reduced numbers of working age contributors will cause major imbalances after the turn of the century, when the baby boom cohorts reach retirement age. Such problems are quite separate from the temporary shortfalls in the Social Security trust funds that result from current economic conditions. In fact, if the economy recovers from excessively high inflation and unemployment, demographic patterns suggest that the system will be in good shape for at least a decade, while the baby boom bulge is in its peak earning years. Thus, the demographic arithmetic points up the need to develop solutions to long-range problems, which will require some lead time to implement, but provides no basis for precipitous changes in either Social Security taxes or benefits.

Generally, a better understanding of demographic forces should help policy-makers to anticipate future needs for services with greater accuracy. After two decades of steady increases in the labor participation of women, for example, the country must begin to deal with the growing demand for child care facilities. Presently, publicly supported day care programs accommodate only a fraction of the pre-school children whose mothers work; between 1980 and 1985, that number will double, from 6 to 12 million. Continued failure to recognize this need will, in addition to limiting the work options of women in general, keep millions of single-parent families in poverty and dependence on welfare.

In other policy areas, the changes in the age composition of the population will affect the needs for health services, particularly for facilities and manpower to provide relatively long-term care of the elderly. At the other end of the age scale, a relatively smaller population will exist in the age groups typically served by educational institutions, although the population with "special needs"—such as English language instruction, compensatory education for the disadvantaged, or adult retraining—will probably increase.

Regional migration patterns—particularly shifts of population to the Sunbelt and from metropolitan areas to smaller communities—also require major policy adjustments, to overcome the problems of growth or shrinkage. Outmigrations generally leave an area with a disproportionately impoverished and dependent population, and reduced financial ability, due to an eroded tax base and likely declines in Federal aid, to provide for such needs. The growth areas, in contrast, often lack the physical infrastructure and public services needed to accommodate an orderly expansion.

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A. INTRODUCTION AND OVERVIEW

INTRODUCTION

By William Robinson*

Crises focus attention. The energy "crisis" caused us to ask why we as a nation did not foresee the time when oil supplies would become scarce relative to demand, and adopt policies years ago that would have been less painful than those we now face. Concern about social security financing has developed rather abruptly, is serious now, and will become even more acute beginning about the period 2020–2030.

These crises, though vastly different in nature, share at least one common element. They both illustrate the need for greater recognition of the time dimension of public policy. It is no longer enough to resolve current problems, or problems that loom for one or two years in the future. Many of our most difficult problems, if they are to be tractable at all, must be addressed in a long-range setting. This is certainly the case with social security, where we must address both an immediate financing crisis while also beginning to move on even more serious problems that will develop in the next 40 or 50 years.

Trying to formulate public policy in the context of today's shaky economy, stringent budget, and shifting political currents is tricky business. Adding the time dimension makes an already difficult task seem even more problematic. Yet, the energy and social security examples make it clear that some problems require a longer time dimension to be addressed adequately. This requirement to look into the future doesn't necessarily mean a return to soothsayers or haruspex (those intrepid early futurists who saw the future in the entrails of animals). There are some forces acting on society that are more predictable and studied so scientifically that it would be foolish to overlook their future consequences. One of the most solid bases for a look into the future is demography—the study of population changes.

Demographic changes have received increasing attention over the last decade. Most members of Congress and congressional staff are aware of one or all of the following demographic trends: birthrates are down; the population is aging; single-headed households are up; the number of working mothers is increasing; and people are moving from the snowbelt to the sunbelt. These trends and other interactions are the determinants of the size, composition, and location of the population of the United States.

Following its own extensive investigation of long-term trends in 10 public policy areas, the Joint Economic Committee requested the Congressional Research Service (CRS) to explore the impact of demography on social programs. We have begun with a series of short

*Senior Specialist in Social Welfare, Congressional Research Service.

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papers designed to explore the possible future implications of demographic changes on human resource programs. The collection reflects a desire to reach a wide audience, presenting the material in almost conversational terms, with a minimum of footnotes or technical language. Numbers are kept to a minimum, but where they are used, reflect 1980 census data.

The opening paper by Dennis Little of CRS provides a detailed overview of the demographic changes that have taken place in the Nation during the last decade with some projections as to what we might expect during the 1980s. Peter Morrison (of the RAND Corporation) provides a more in-depth analysis of regional migration trends. The papers by Robinson (CRS) and Paul Ginsburg (Congressional Budget Office) try to provide analytical frameworks for translating demographic changes into program and budget impacts. Everett Kassalow (formerly at CRS, now at the University of Wisconsin) focuses on the impact of demographic changes on the labor market. Robert Reischauer (formerly Deputy Director at CBO, now Senior Vice President of the Urban Institute) assesses the effects of demography on the central city; while Morton Schussheim (CRS) traces the impact on housing and community development. The last three papers in the series take a close look at the demographic impacts on three human resource policy arenas. Forbis Jordan (CRS) examines education issues; Royal Shipp (CRS) explores the close tie between demographic changes and several income maintenance programs; and Glenn Markus (CRS) closes with some provocative thoughts on health policy in the future.

OVERVIEW OF DEMOGRAPHIC TRENDS

By Dennis L. Little* **

I. Introduction

Over the past decade or two our nation has experienced significant demographic changes which raise important human resource issues for the 1980s and beyond. The highlights include:

—For 19 straight years (1954–1964), during the baby boom, births in the United States exceeded four million.

—Birthrates have remained below natural replacement rates since 1972;
  —current rate is 1.88 births per woman of childbearing age while the replacement rate is 2.1.

—With a declining birth rate, immigration (legal and illegal) plays a great role in structuring the ethnicity, culture, and value of our society;
  —the emphasis in immigration patterns to the United States has shifted from Western Europe to Latin America and Asia.

—A significant increase in the number of "kids with kids" (teenage pregnancies).

—An increasing proportion of the population over 60 and this proportion is expected to continue to increase;
  —median age has moved over 30.

—Changes in family structure, composition, and life style;
  —later marriages and fewer children,
  —a higher divorce rate and a sharp rise in one-parent families,
  —by 1990 two-thirds of all households may be without children.

—A continual increase in the number of women entering the work force (mainly married women);
  —from 1947 to 1978 female participation in the labor force increased by 15 million, or from 32 percent to 50 percent of the female population age 16 and over, and
  —from 1979 to 1990 an additional 11 million increase is forecast.

—A concentration of central city outmigration among young families in the $15,000–25,000 income range.

—Gains in population in the Sunbelt's central cities (primarily due to annexation) but a decline in some cities with populations of one million or more.

—Northeastern and North Central central cities losing population, with the metropolitan areas, in general, showing increases;
  —a slight increase in the overall rate of interregional migration;

*Specialist in Futures Research and Population Policy, Science Policy Research Division.
**With contributions from Eugene P. Boyd, Analyst in American National Government, Government Division.

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—a reversal in the traditional black outmigration from the South; and
—rural areas outpacing cities in rates of population growth.

In the sections which follow some of these trends and highlights of a few of their human resource policy implications are described. (Peter Morrison's paper deals with regional and rural migration trends and Robert Reischauer's paper highlights central city demographic trends.)

II. Some General Population Trends

The now famous baby boom occurred in the United States between 1946 and 1964. As table I indicates, there were 11 straight years with more than four million births each year and these children have overcrowded, successively, the maternity wards, the schools, and the work force. The size of this age cohort is one of the pressures on the existing housing market and sometime after the turn of the century their large numbers will place new strains on public and private pension systems.

TABLE I.—BABY BOOM AT A GLANCE

[Began: 1946; ended: 1964; peak year: 1957 (4,332,000 births); years with more than 4,000,000 births: 1954–64]

Event	Boom years	Peak year
Birth	1946–64	1957
Age 18: Enter college, work force	1964–82	1975
Age 30: Home buyers	1976–94	1987
Age 50: Earnings near peak	1996–2014	2007
Age 65: Retirement	2011–29	2022

Source: Miscellaneous census data and Peter Morrison, Population Research Center, the Rand Corp.

While the absolute size of the population in the United States has been increasing, the fertility rate in the United States has decelerated to a point that is below the rate of natural replacement (births minus deaths). In fact, except for the interlude of the baby boom following World War II, the birth rate appears to have been declining since the beginning of the century. Yet, as shown in figure I, it was only during the 1970s that the birth rate fell below the rate of natural replacement.

In terms of specific numbers, the April 1980 Census found that our nation's total population had increased to 226,504,825 people for an 11.4 percent (23 million plus) increase over the 1970 level. This is the lowest rate of growth for a decade since the Great Depression and the Census Bureau expects even lower rates of growth in this decade—less than ten percent and slowing to less than seven percent in the 1990s.[1]

Natural population growth adds approximately 1.6 million to the population each year and legal immigration adds an additional 400,000 individuals or 25 percent to the natural population growth. Demographers Leon Bouvier of the Population Reference Bureau and Michael Titelbaum of the Ford Foundation believe that illegal immigration accounts for an additional 15 to 25 percent of the annual U.S. population growth. Although the total number of illegal immigrants now living in the nation is unknown, the range is estimated by the

[1] Levine, Daniel. Demographic Trends Shaping the Nation. Remarks before the Demographic Outlook Conference. Ithaca, N.Y., June 9, 1981.

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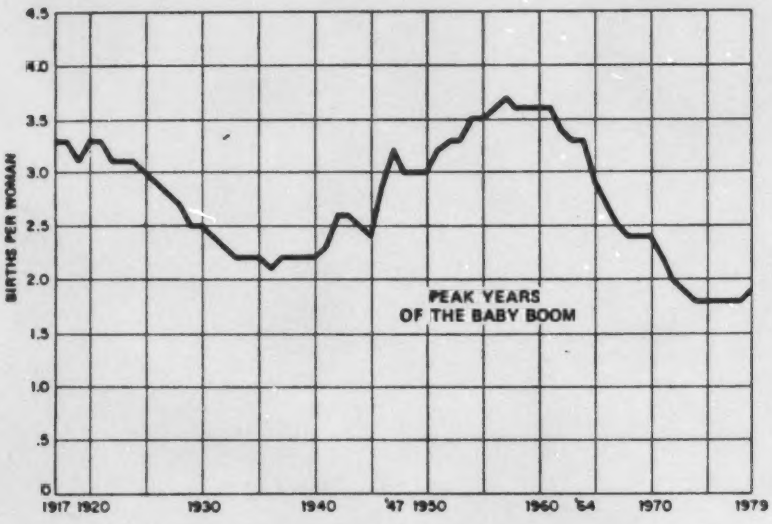
Figure 1. Total Fertility Rates for U.S. Women: 1917-1979



Source: Cited in Bouvier Leon. "America's Baby Boom Generation: The Fateful Bulge." Population Reference Bureau, vol. 35, no. 1, April 1980, p. 5.

Census Bureau at three to six million. With these patterns of growth as background, the following sections deal with the composition of the age structure, the rate or immigration and the country of origin patterns. (The distribution of the population is covered in Morrison's paper.)

A. A Shift in the Age Structure

The aging of the baby boom children coupled with a declining birth rate will have a large impact on the relative size of future population age groups. As noted in table II there already has been a decline in the young school-age cohort (ages 15 and under) affecting education. There will be a decline in the rate of growth of the labor force due to the decline in the relative size of the 16–24 year old age group.

TABLE II.—AGE DISTRIBUTION OF POPULATION, 1970-95[1]

[Percent in each age group]

Age	1970	1977	1985	1995
15 and under	30.2	25.7	23.9	24.0
16 to 24	15.7	16.9	14.8	12.1
25 to 34	12.6	15.6	17.3	15.4
35 to 44	11.4	10.9	13.5	16.0
45 to 64	20.4	20.1	18.9	20.2
65 and over	9.7	10.8	11.6	12.3

[1] This distribution assumes the annual rate of growth of the population (0.7 to 0.8 percent) will continue into the mid-1980's; rise to 1 percent as the number of women of childbearing age increases; and fall to 0.6 percent in the earlier 1990's as a declining number of women enter childbearing age.

There will be a rise in the young adult category (ages 25–44), the "baby boom" bulge, and a rise in the percentage and the absolute number of individuals over 65. As a result, the proportion of the population age 24 or younger would decline by more than 20 percent, moving from 46 percent of the population to 36 percent. However, the population aged 65 or over would rise 27 percent. These shifts will have a major impact upon numerous public policy issue areas including college enrollments, the all volunteer armed forces, the availability of initial entry workers, and various health delivery systems.

B. Kids With Kids

In 1977, 17 percent of all natural births in the United States were by teenage girls and approximately 44 percent of these births occurred outside of marriage. By contrast, teenagers in 1950 bore only 12 percent of all children. If present rates continue, approximately one in five of today's 14 year old girls will become pregnant before reaching her eighteenth birthday. Newsweek reported in the fall of 1980 that nearly 50 percent of America's 10.3 million young women age 15 to 19 have had premarital sex—almost double the 1971 rate.[2]

It is estimated that during 1979 over 1,000,000 teenagers (for the fifth straight year) became pregnant with approximately 600,000 of them giving birth. In 1976 teenage abortions accounted for 32 percent of the nation's legal abortions.

An Urban Institute analysis indicates that in 1975, $4.65 billion, approximately half of the money paid to families enrolled in the program of Aid to Families with Dependent Children (AFDC), went to households containing women who had borne their first child while still teenagers. Using different assumptions and methodology, the Stanford Research Institute (SRI) calculated that the 442,000 "first teenage births" in 1979 caused $760 million in government expenditures that year for welfare and medical costs. SRI defined welfare costs to include food stamps, other nutrition programs, subsidized public housing, and social services, as well as AFDC. SRI projected long-range total welfare and medical expenditures for these children in excess of $8 billion: $1.2 billion in medical expenses over a nine-year period and $7.1 billion in welfare costs ever in a 19-year period.[3]

For teenager mothers, the social problems are manifold. There are higher risks of death and medical complications; suicide and child abuse are higher than among older groups; and, as eight out of ten young mothers drop out of high school, prospects for employment and self support are limited. Existing day care centers offer little immediate assistance because more than three fourths of all day care centers in the United States refuse babies under two years of age.[4]

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[2] Moore, Kristin. Teenage Motherhood: Social and Economic Consequences. Washington, D.C.: The Urban Institute, Spring 1980. 50 p.; The Games Teenagers Play. Newsweek, September 1980. pp. 48–53; and Grassley, Charles. Teenage Pregnancies: Government or Individual Solution. Congressional Record, Oct. 12, 1978, p. 12758.

[3] "Children Having Children: The Cost to Government is Large, Across the Board." The Conference Board, v. 16, July 1979, pp. 7–11. Kristin A. Moore. "Teenage Childbirth and Welfare Dependency." Family Planning Perspectives, v. 10, no. 4, July/Aug. 1978, pp. 233–235. It should be noted that only a small percentage of persons receiving welfare continue to remain on the rolls for a 19-year period.

[4] Card, Josefina J. "Consequences of Adolescent Childbearing for the Young Parent's Future Personal and Professional Life. American Institutes for Research." Palo Alto, California, June 1977; and Scharff, Kathleen Rudd. "Teenage Pregnancy: Why the Epidemic, Working Papers," March and April 1979.

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C. Immigration and Minorities

As noted earlier legal immigration accounts for approximately 25 percent of the annual population increase of the United States and illegal immigration may account for as much as 10 to 25 percent more according to one estimate. In examining our nation's profile, immigration is important in terms of the absolute number of people entering the United States and in terms of their country of origin. The United States has set carefully defined limits on the number of aliens it admits legally into the country, and with the decline in the nation's birth rate, immigration (legal and illegal) has become a very visible public policy issue.

Unrest in southeastern Asia, the Cuban exodus, a rapidly growing Mexican population, and relative economic prosperity in Western Europe are just a few of the factors that account for the shift in legal immigration to the United States from Europe to North and Central America and Asia. During the 1967–76 period, North America (including Mexico, Cuba, and the West Indies) led all other regions with 1,507,434 immigrants. This was an increase of 43.4 percent over the previous decade and Mexico accounted for approximately one-third of this increase. These shifts are reflected in table IV.

Statistics in the United States concerning minorities are at times difficult to follow, for the statistics until 1970 were generally broken into two categories, white and minority. Essentially, the term "minority" was taken to mean blacks and Asians. Hispanics were grouped with whites despite their cultural and linguistic differences. However it is clear that increasing Hispanic immigration, coupled with a higher birth rate for Hispanics already in the United States, has made the United States one of the largest Spanish speaking nations in the world.

TABLE III.—LEGAL IMMIGRATION TO THE UNITED STATES BY CONTINENT, FISCAL YEARS 1956–65 AND 1967–76[1]

Continent	1956–65	1967–76	Percent change
Europe	1,400,051	1,016,110	−27.4
Asia	224,342	1,052,688	+369.2
Africa	22,924	63,978	+179.1
North America	1,050,983	1,507,434	+43.4
South America	167,772	212,778	+26.8
Other	12,081	30,231	+150.2
Total	2,878,153	3,883,219	+34.9

[1] Departments of Justice, Labor, and State. U.S. Interagency Task Force on Immigration Policy, Staff Report, March 1978, p. 124.

The 1980 Census identified approximately 14.6 million persons (6.4 percent of the population) as being of Spanish origin. This is up considerably from the 1970 estimates of 9.3 million. The probability of this trend continuing is reasonably high, for it is estimated that Latin America's population will double in 25 years from 300 million in 1977 to approximately 600 million. Mexico's population doubled from 32 million in 1958 to 64 million in 1978 and is expected to double again by 1998. Over approximately the same time Central America's population is estimated to double and reach 39 million inhabitants.[5]

[5] Anson, Roberto. Hispanics in the United States. Yesterday, Today, and Tomorrow. The Futurist, vol. XIV, no. 4, August 1980, pp. 27 and 29; and American Council of Life Insurance. Social Research Services. Data Track 5. p. 30.

Over the last decade, the nation's black population grew by 17 percent, considerably faster than the 11 percent overall increase in the nation's population. In all, the number of blacks expanded from 22.6 million to 26.5 million or from 11.1 to 11.7 percent of the total population. The increase is partially a result of improvements in the 1980 Census procedures for enumerating predominately black neighborhoods, and a birth rate which is generally higher than the white population's. Mississippi is the State with the largest percentage of blacks (more than 35 percent of its residents). South Carolina and Louisiana are next with about 30 percent. By contrast more than a third of New Mexico's population are Hispanic; one in five Texans are; and almost one in five Californians are. Hispanics outnumber blacks in 18 States.[6]

III. The Family and Household Formations

Any belief that Americans do not place top priority on the family and family life is completely refuted by the results of this survey. The findings represent a ringing endorsement of the family in American life.—George Gallup—1980

A 1980 Gallup survey found that eight out of ten Americans 18 years of age or older say that families are either the "most" or "one of the most important" elements of their lives. Yet, the "American family" is a subject of much concern, with anxiety over its future seeming to escalate during the decade of the 1970s. Increasing divorce rates, declining birth rates, a sharp increase in the proportion of single-parent families, and the emergence of the elderly in American society as a significant group with its own problems have all contributed to a reexamination of the status and adequacy of the family. The term "reexamination" is used because history shows that since the time of the Founding Fathers, every generation has expressed its doubts about the stability and continuity of the family. For example, in the American Revolutionary era much anxiety was expressed about the possible disappearance of the American family, and during the Civil War the nation's crisis was frequently projected onto the fate of the family itself.

One problem in any discussion of the family is that the statistics used to describe the family are based on different definitions. If one defines the nuclear family as typical of the 1950s, with husband as sole provider and wife as homemaker raising offspring, such a family is becoming a rare (but clearly not yet extinct) species. Statistics indicate that this household now represents from seven to ten percent of all households with children under 18. However, married couples with children under 18 constitute almost 32 percent of all households and married couples with no children under 18 constitute an additional 30 percent of all households. Persons living alone constitute an additional 30 percent of all households. While many of the latter are the elderly, this statistic also includes grown children who are not married and are living alone.[7]

Compared to the early 1960s, the age at the time of first marriage is increasing; the birthrate is declining; and the period of "child free" years of marriage has increased about 14 years. (The period of child

[6] Reinhold, Robert. 1980 Census Shows 17 Percent Growth of Blacks Led Other U.S. Groups. New York Times, February 24, 1981. p. A–1 and A–12 and The Numbers News. Supplement to American Demographics, no. 5, Apr. 20, 1981.

[7] Sussman, Marvin B. Positive Family Functioning. p. 1; and Giele, Janet Zollinger. Discrimination, Sex Roles, and Changing Family Structure. p. 51. Papers presented to the Research Forum and Family Issues, White House Conference on Families.

bearing has been shortened by three years and the period after the children leave home has increased by 11 years). The divorce rate has doubled so that approximately 40 percent of all marriages end in divorce. The "reconstituted" or "blended" family is competing actively with the 1950s type of nuclear family. These changes have had a major impact on the size and the rate of household formation in the United States and these changes may significantly affect our nation's social welfare policies.

Currently, non-family, multi-person households comprise 3.4 percent of all households and this includes unmarried couples as well as unrelated adults sharing a dwelling to reduce their living expenses. Single or one-parent families will be discussed below. While it appears that traditional family values may be under pressure, the family is still basically nuclear but more likely to be characterized by later marriages, two wage earners, delayed births, and other new patterns.

By 1990 this situation could change considerably. If one assumes that the current pattern of low fertility continues through the decade, as many as half the women born during the mid-1950s will still be childless or with only one child. As a result, a declining proportion of all households will have young children present. According to one projection, by the Joint Center for Urban Studies of MIT and Harvard, by 1990 half of the 50 million married couples will not have children under the age of 15 living at home. If one adds this figure to the projected 20 million female-headed households without children, and the projected 14 million households headed by men without children present, the calculation comes to almost 60 million households without children or almost two-thirds of the projected total number of 1990 households.

A. Women in the Work Force

Intertwined with the trend toward smaller families (the two-child family is the reported desired norm and intentional childlessness also has increased in recent years), has been a noticeable increase in the percentage of wives who earn incomes. From 1947 to 1975 approximately 15 million women were added to the labor force and from 1979 to the end of the eighties an additional 11 million women will join them. By 1990, according to the MIT-Harvard report, the one-earner husband/wife household will clearly be the exception, for such households will account for only 14 percent of all households as compared with 43 percent in 1960. The report also estimates that wives will contribute about 40 percent of all family income in 1990, compared to about 25 percent in 1980.[8]

The policy implications of this shift are quite significant. As just one illustration, an Urban Institute study in 1977 found there were 6.4 million children under age six with mothers in the labor force. Of this total, an estimated 1.4 million children or 22 percent received federally subsidized day care at a cost to the Federal Government of $1,055 per child. By 1990, because of the increasing number of women entering the work force, there are projected to be 10.5 million children in need of day care. If one assumes the proportion of children receiving fed-

[8] Bane, Mary Jo, et al. The Urban Household in the 1980s—A Demographic and Economic Perspective. Urban Institute, Washington, April 1980. Prepared for the Department of Housing and Urban Development.

erally subsidized care and the cost per child to remain constant, Federal costs would increase by 71 percent to $2.4 billion. If one adjusts for inflation the total Federal expenditures could be considerably higher.[9]

B. Household Formation and Composition

Although the rate of population growth has been declining and some States are experiencing zero population growth, our nation has experienced a remarkable increase in the rate of household formation. According to the 1980 Census, during the last decade the number of households increased by 27 percent from 63.4 million to 80.4 million. At the same time the number of persons in households increased by only 12 percent. Changes in the type of family patterns and in the rate of formation have led to a decline in the average household size from 3.11 in 1970 to 2.75 in 1980. Every category of household, except married couples with children, increased in absolute numbers. The increase in one-parent families has been termed by the traditionally conservative Census Bureau as "dramatic," for during the 1970s one-parent families increased by 2.6 million or 79 percent. In 1970, about 11 percent of all families with children living at home were maintained by one parent. By 1979 this proportion had increased to 19 percent. Over two-thirds of all one-parent families were maintained by whites in 1979, but at the same time approximately 50 percent of black families with children at home were maintained by one parent. More than a third of the children born in the 1970s will spend part of their childhood living with only one parent.

The policy implications of this shift for social programs are also significant. For example in 1979, according to the Bureau of the Census, 24 percent of the female headed households had incomes below $5,000 and roughly 48 percent of all families below the poverty level were maintained by women with no husband present. By contrast 40 percent of married couple families in 1979 had incomes above $25,000.

In a 1980 study conducted by the National Association of Elementary School Principals and the education branch of the Charles Kettering Foundation, it was found that children from one-parent families are twice as likely to do poorly in elementary school and in high school. They were reported to be three times as likely to be expelled; and twice as likely to drop out.

IV. Our Aging Population

Since 1900 the percentage of individuals in the United States over the age of 65 has increased steadily. In 1900 individuals over 65 comprised four percent of the total population. By 1950 this percentage had doubled to eight percent, and by 1980 it was approximately 11 percent. By 2030, only 50 years from now, the number of elderly (65 plus) is projected to reach from 17 to 22 percent of the population, with the estimates varying according to different birth and death rate projections. The following table reflects past and projected changes in the composition of our nation's elderly population.

[9] Muller, Thomas, et al. The Urban Household in the 1980s—A Demographic and Economic Perspective. Urban Institute, Washington, April 1980. Prepared for the Department of Housing and Urban Development.

TABLE IV.—PERSONS 65 AND OVER

Year	Number (in millions)	Percent of population	Over 75 as a per-cent of 65 and over
1900	3,099	4.1	
1930	6,705	5.4	
1960	16,675	9.2	33.7
1977	23,431	10.8	36.8
1990	29,824	12.7	40.3
2000	31,822	12.9	45.2
2010	34,837	13.9	43.2

Note: New Census projections for those 65 and over will not be available until later this year. The new projections will assume improvements in the mortality rate and thus the absolute numbers should be larger.

Source: Miscellaneous Census publications released prior to the availability of 1980 census. Assumes existing rate of mortality and a birth rate of 2.1 births per woman of childbearing age.

The current number of aged (65+) in the United States is approximately 25 million and the absolute numbers are growing at a rate approximately twice that of the general population. The elderly comprise about 16 million consumer households. (About one out of every five households in the United States is headed by a person 65 years or older.) Approximately 3.6 million older persons (15 percent of the total) are expected to have incomes below the poverty level. This growth in the numbers of older persons has important implications for public and private pension and income maintenance programs, as a subsequent paper (Shipp) will more fully discuss.

Table V shows the changes in life expectancy from 1900 to 1950 and from 1950 to 1978. The key question is what shifts, if any, will occur between 1980 and the year 2000.

TABLE V.—LIFE EXPECTANCY[1]

	1900	1950	1978
Life expectancy at birth:			
Men	46.3	65.6	69.5
Women	48.3	71.1	77.2
Total	47.3	68.2	73.3
Life expectancy at age 65:			
Men	11.5	12.8	14.1
Women	12.2	15.0	18.0
Total	11.9	13.9	16.1

[1] National Center for Health Statistics, 1980.

Increasing longevity could have a strong negative impact upon the solvency of some public and a few corporate retirement programs. Assuming an eight percent inflation rate and a pension adjusted for inflation, a person who starts with retirement benefits of $300 a month at age 65 would receive $87,000 in retirement over a remaining lifetime of 14 years (the 1950 life expectancy of a 65 year old). However, with a life expectancy of 16 more years (as it was in 1978), 25 percent more money or about $109,000 will have to be dispensed.

With many of the elderly migrating to the Sunbelt and/or to nonmetropolitan America (upper Michigan, Missouri, Arkansas, New Hampshire, New Mexico, Oregon, California, and Florida), some States have experienced sharp changes in the age structure of their population over the last decade. Nevada's older population almost

doubled; Arizona's increased almost 80 percent; Florida's was up 63 percent; and the elderly populations of Hawaii, New Mexico, and Alaska were up more than 50 percent.

For those retirees heading to non-metropolitan America, there may be major transportation problems. Some 15 percent of the rural households, 57 percent of the rural poor, and 45 percent of the rural elderly do not own an automobile. Moreover, only 31 percent of the nation's 20,000 towns with a population of 50,000 or less are served by a public transit system and since 1972, 1,800 small towns have lost intercity bus service. As a result, the transportation needs of the elderly must be met in one of three ways: (1) special transportation (taxi, friend, relative) from the home to the site of needed services (such as shopping, doctor, dentist, social functions). (2) services delivered to the home (such as homemaker service, meals-on-wheels, home health care, and foster care), and (3) transportation to services provided on a congregate basis in centers offering adult education, recreation, nutrition, or day care.

VI. Some Concluding Observations

The trends presented in this paper do no more than provide a general overview of our nation's changing demographic patterns and a highlighting of some of their implications for human resource programs. We have discussed the "baby boom"; changes in the fertiilty rate; changes in the structure of the family, household size, and the single-parent family; and the aging population. Some implications for human service programs and facilities are clear. For example, the school and college facilities which expanded in the 1960s and early 1970s are now too abundant for the current school-age generation. As more married women, particularly those with preschool children enter the workplace, there will be an increasing need for public and private child care facilities. In addition, low marriage rates, high divorce rates and the increase in single-parent families could offset any reduction in the public assistance caseload caused by low birthrates.

B. FRAMEWORK FOR ANALYSIS

ANALYZING THE IMPACT OF DEMOGRAPHY ON SOCIAL PROGRAMS

By William Robinson *

Demography is a holistic and ambitious science. While dealing with such mundane topics as birth rates, death rates, migration and population changes; demography must also confront such judgmental matters as changing tastes and values, attitudes toward marriage, feelings about childbirth, and trends in the intangibles that make people consider one region as more "desirable" than another. Moreover, demography attempts this difficult assessment process not only to help us understand how we got to where we are today—but reaches beyond to paint a portrait of what we will look like as a people in the future. Obviously, some caution must be used in interpreting the products of such an approach. My task is to construct an analytical framework that will help assess the impact of demographic changes on social programs.

1. The Problems of Change

The first element in building such a framework is the obvious caution that demography must deal with events in a state of flux. Extrapolations into the future may go awry not only if changes occur in the direction of an important variable (such as an increase in birth rates), but also if the rate of change differs importantly from original assumptions. We must always be aware of the potential volatility of these demographic assumptions, and try to imagine how the future might look if some of these assumptions were changed within a reasonable range—in short, test the sensitivity of our analysis to the assumptions made.

2. Other Determinants

Secondly, while demographic changes will be important factors impinging on social programs, they will obviously not be the only factors that will influence these programs in the future. Other important determinants of human resource programs include changes in—

The state of the economy (unemployment and income distribution—all income maintenance programs, and the largest education and health programs);

The values and tastes that shape attitudes toward these programs;

The national and international environment in which we live (e.g., whether or not we are at war; the extent to which trade barriers are lowered); and

*Senior Specialist in Social Welfare, Congressional Research Service.

The political system through which we make changes in the programs.

a. Demography as surest base.—Having said all that, it is still important to remember that demographic factors will be among the more certain benchmarks we can use in assessing changes in social programs in the future. Projecting the state of the economy, societal values, or international tensions into the future is fraught with far more uncertainty than trying to gauge how many people might be in existence at a given point in time—and in need of certain services.

For example, we can know with some degree of certainty how many people will be eligible for Social Security cash benefits in the year 2000 because those people have already been born. In fact, the youngest recipients in that year are already 44, and actuarial tables can do a fairly good job of telling us how many of them will still be around 18 years from now to collect benefits. By the same token, we can know with some assurance how large the labor force may be in the year 2000 since most of that group is already born or will be born in the next few years. (Obviously, the complications begin here. For example, what will labor force participation rates look like for blacks, whites, women, teenagers and older workers. These rates will be influenced by the economy, values, tastes, tradition, government programs, and other forces.)

b. Problems of the youth population.—Another set of problems arises, however, in projecting the population group which will be twenty or younger in the year 2000. Births that occurred in 1980 and in 1981 will become the group from which the 19 and 20 year olds will be drawn in the year 2000. All those who will be younger than age 19 in the year 2000 have yet to be born. The size of this large unborn group is partly a function of past birth rates (how many women are in their child-bearing years between now and 1999), and partly a matter of values, tastes, and economics (how many children these women will wish to have). The last set of variables is far more difficult to assess than the first.

c. General guidelines.—Thus, if an entire age group is likely to influence some social programs, then the impact is fairly easy to assess (as with Social Security). However, if some portion of that age group must be considered, then the task is somewhat more difficult (as in gauging the need for secondary education). Moreover, if the program depends on choices or values, then the task is very difficult indeed (as in attempting to project the labor force or how many people will be enrolled in institutions of higher education by the year 2000).

3. Individuals vs. Institutions

The third factor to consider in building our framework is to look at the differential effect that demographic changes can have on individuals and institutions. This differential impact, in turn, will affect human resource programs in different ways.

For example, the increasing number of people who are 65 years of age or older will have a fairly direct impact on the size of the Social Security program. On the other hand, the relative decline in the number of children under age 19 will not necessarily lead to a proportionately reduced demand for elementary and secondary education.

While the size of the population to be served may be smaller, the effects of this change are mediated through the education institutions which serve this group, such as teachers and school boards.

These institutions have a stake in the services provided to the youth population, which is distinct from the interests of the youths themselves. For programs that render services through institutional providers, the providers may oppose or support the changes implied by the basic demographic changes. Thus, while the youth population may decline, the job needs of teachers may cause them to intercede to make it more difficult to shift resources away from education.

It is also conceivable that the interests of the providers may reinforce the claims of recipients (as in the case of the Food Stamp program—where generous program benefits provide increased income to both recipients and provider-grocery stores).

The main point to remember is that demographic changes will often have complex effects on human resources programs, and the individuals-vs.-institutional dimension is an important consideration in gauging that impact.

4. Geographical Flexibility

A fourth factor in our analytical framework is that of geographical flexibility. Some programs are designed to vary by geographical area, and respond to local as well as national needs and circumstances. An example of such a program is Aid to Families with Dependent Children (AFDC), where States determine the benefit levels to be paid eligible beneficiaries, as well as setting the eligibility levels themselves. On the other hand, Social Security cash benefits are uniform throughout the country for people with similar employment histories.

5. The Federal System

The fifth element of our analytical structure is a recognition of the differential effects on our federal system of government. Any changes in demography will be felt differently by the various partners in the federal system—Federal, State, and local governments. For example, increases in the aging population will be reflected in greater demands on the Federal Government—which finances Social Security and Medicare. Decreases in the youth population cannot be used to balance the pressures on the Federal budget, because the lesser workload will be felt by State and local governments (as providers of education).

6. Levels of Tradeoff

Finally, even when looking only at Federal Government finances, any shifts in resources can occur at three levels:

Within a program area (e.g., by capturing the funds released by fewer elementary school students to improve education quality or reduce class size);

Between one program area and another (e.g., by increasing defense, while cutting back on child nutrition benefits); and

Between the private and public sectors (e.g., by requiring private employers to furnish more comprehensive health care benefits in lieu of providing more government-financed benefits).

7. Conclusion

In conclusion, I hope it is clear by now that assessing the impact of demography on social programs is a very complicated business. But it is a necessary and profitable undertaking as we look ahead to a decade or more of tight budgets, mounting pressures for more spending on defense and energy, and the changing needs of a changing population.

SOME THOUGHTS ON THE BUDGETARY IMPLICATIONS OF DEMOGRAPHIC CHANGES

By Paul B. Ginsburg *

1. Introduction

The human resources components of the Federal budget consist of programs for health services, income security, education and training, nutrition, and housing assistance. The programs supported by Federal outlays are for the most part directed at individuals, but the benefits are not shared equally by individuals. For example, the Medicare program benefits individuals aged 65 and over and disabled individuals only, with the oldest of the beneficiaries receiving the highest benefits.

With unequal benefits directed at individuals, demographic trends are likely to play an important role in the size and composition of this budget. Many of the programs that make up the human resources budget benefit well-defined populations—for example, children in school, college students, or elderly persons. Changes in the relative size of these groups in the population consequently have the potential for significant changes in the sizes of these programs and their budgets.

The influence of demographic changes is likely to be a complex one, however. Changes in the size of components of the budget will not necessarily be proportional to the number of persons in the group targeted for benefits. First, factors like fixed costs and labor market conditions may cause outlays to vary disproportionately to the number of persons for a constant level of services per person. Second, and possibly more important, there may be a policy response to the demographic change. Growth or decline in the target population for a program may cause a change in policy toward the program, with the result being an increase or decrease in the benefits per person in the target population.

In this paper, I will briefly review the human resources budget as it stands today and then describe the demographic trends likely to have implications for it. With that as a background, I will discuss three types of changes in the budget that we are likely to see: proportional changes, nonproportional changes, and changes based on policy responses to the demographic trends.

2. The Human Resources Budget

Federal outlays for human resources in fiscal year 1981 accounted for $345.5 billion, more than half of total Federal outlays (see Table 1). Social Security benefits are by far the largest outlay, followed by Medicare. The lines between human resources and other parts of the

*Deputy Assistant Director for Income Security and Health, Congressional Budget Office.

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budget are difficult to draw. For example, many agricultural programs, which are not included in the table, are intended primarily to protect the incomes of farm families.

TABLE 1.—HUMAN RESOURCES OUTLAYS, FISCAL YEAR 1981

[In billions of dollars]

Function	Federal outlays
Income security	225.1
General retirement and disability insurance	145.0
Federal employee retirement and disability	17.5
Unemployment compensation	19.7
Food and nutrition assistance	16.2
Other	26.7
Health	66.0
Medicare	39.1
Medicaid	16.9
Other	9.9
Education, training, employment, and social services	31.4
Education	15.1
Training, employment, and labor services	9.8
Social services	6.5
Veterans benefits and services	23.0
Income security for veterans	12.9
Hospital and medical care for veterans	7.0
Other	3.1

The human resources budget has grown substantially over time, both in absolute terms and relative to the rest of the Federal budget. After adjustment for inflation, the human resources budget grew at an average annual rate of 15.1 percent from 1966 to 1981. Its share of Federal outlays increased from 31.1 percent to 52.6 percent.

It is instructive to note that factors other than demographic trends may well have been more important in determining the size and composition of human resource outlays in the past. For example, the growth of Social Security benefits and the enactment and expansion of Medicare since the mid-1960s probably reflects much more a change in attitude towards the role of the public sector than a response to demographic trends. This should not indicate that population changes have been unimportant, but recognizing their influence is made more difficult by the presence of other influences on the budget.

3. Demographic Trends

A number of demographic trends have the potential to affect human resources programs in an important manner. The most critical appear to be the growth in the number of elderly persons, especially those elderly aged 75 and over, the maturing of the "baby-boom" population, and the current low birth rate.

The aging of the population has obvious impacts on programs such as Social Security, Supplemental Security Income, Medicare, and Medicaid. The increase in the population aged 75 and over has particular implications for health programs as these persons use health services, especially long-term care, at a much higher rate than those aged 65–75. Aged veterans are important users of Veterans Administration

health services and potential recipients of non-service connected pensions.

The maturing of the "baby boom" population has important implications for education and training budgets. Elementary and secondary school enrollments have declined, and with that, presumably some of the need for Federal assistance. College enrollments from the traditional college-age groups are expected to decline, and with that, so will the need for scholarships and subsidized loans for these groups. The expected decline in the numbers of teenagers and young adults could in time take some of the pressure off markets for inexperienced, unskilled labor, thus reducing requirements for youth employment programs.

Some human resources programs are less subject to influence by demographic trends because their benefits are not as concentrated on particular age groups. Food stamps is an example of such a program. Since low income is the only requirement for such assistance—in contrast to old age, disability, or having dependent children in other income assistance programs—benefits are dispersed more evenly across age groups. However, the size and location of the poverty population will be influenced in part by such demographic factors as the growth in single-parent families and in female-headed households.

4. Proportional Changes

A first approximation of the effects of demographic trends on human resources programs is proportional change. Entitlement programs come closest to this model. For example, the growth of the elderly population is expected to cause roughly proportional increases in outlays for entitlement programs such as Medicare and Social Security pensions. Since these are entitlement programs, the changes occur automatically.

An application of the proportional decline model could be subsidized loans to college students or their parents. According to this model, declining numbers of persons of college age should lead to declining enrollments, which in turn should lead to declining loans and loan subsidies.

In none of these examples is the change likely to be exactly proportional. For example, the growth of the elderly population is not expected to be uniform across various age groups, and different age groups make varying use of Medicare-covered medical services. In addition, the growth of the Medicare population increases the proportion of medical bills paid by insurance, possibly increasing medical prices. Nevertheless, proportional change is a reasonable approximation of entitlement programs whose beneficiaries are of similar age.

5. Nonproportional Changes

In many human resources programs which are not entitlements, where eligibility and benefits are not anchored in law, changes in the size of the eligibility group affect program outlays in more complex ways. In contrast to the entitlement programs which give benefits directly to individuals, human resources programs which rely on annual appropriations often fund agencies to provide variable levels of services to a defined population. The size of this funding need not change

proportionately, and is subject to periodic change in the appropriations process.

Some programs currently serve only a portion of eligible persons who would like services. A change in the size of the eligible population by itself could have little impact on funding for agencies providing services unless a policy decision were made to increase funds sufficiently to cover the newly eligible or to reduce funds for those no longer in need of services. For example, the maturing of the "baby-boom" population should ultimately reduce the magnitude of the youth employment problem. Fewer unskilled youths should be coming into the labor market, thus reducing the excess supply of this type of labor. But agencies providing job training currently are not able to serve all eligible applicants. A reduction in the size of this eligible population need not affect the funding of these agencies. To the extent that it does, it will reflect a policy decision to reduce funding in light of the declining magnitude of the problem. Such policy decisions are discussed below.

Another example of nonproportional change is Federal aid to elementary and secondary education. Enrollments in these grades have been declining but costs are declining less than proportionately. Fixed costs are an important reason for this result. Excess physical plant must often be maintained for some time when enrollments decline, especially when parents resist school closings. Teachers' compensation does not decline proportionately as staff reductions through layoffs and cessation of new hiring reduce the proportion of teachers at the low ends of salary scales.

6. Policy Responses

The foregoing discussion considered only changes in human resources spending that would come more or less automatically from changes in the size of populations eligible for particular programs. The expected demographic changes are sufficiently important, however, that policy responses are likely as well. Benefits per eligible person could be increased or decreased in response to changes in the size of the eligible population.

Two models may be relevant in explaining policy responses to demographic changes. I will call them the resource allocation model and the constituent pressure model. Either one or both could be relevant to the policy response for a particular program.

a. Resource Allocation Model.—In this model, demographic trends alter the relative "prices" of different human resources programs. When the eligible population for a program grows, the "price" of the program increases. The response to this higher price is less spending per eligible person on program benefits.

This process is analogous to individuals making decisions on their personal consumption patterns. Possibly the most important change in relative prices in recent years has been the increase in energy prices. This has caused spending on energy to increase, but less than in proportion to the price increases. Individual consumers have made decisions to reduce the amount of energy used because its price relative to that of other goods and services has increased. They have purchased smaller cars, driven less, insulated their homes, and heated and cooled to less comfortable temperatures.

Similar considerations could influence policy responses to demographic trends. In an analogue to personal resource allocation decisions, quantities are the amounts of services delivered or resources transferred per eligible recipient while prices are the number of eligibles. If the eligible population for a program is growing, the program can be seen as becoming more expensive, or rising in price.

In this resource allocation model, the expected response to this higher "price" would be a reduction in the quantity of services per eligible. Thus, in the Medicare example, growth in the number of elderly beneficiaries (an increase in the price of the objective of health services for the elderly) might cause a reduction in levels of Medicare benefits available to each eligible person. This could be an absolute reduction in benefits (for example, an increase in cost sharing by the patient) or a reduction in the rate of growth of benefits from what otherwise would have been the case.

Even with an absolute reduction in benefits, outlays on the program could well increase. This has been the outcome in the energy example of personal consumption. While the quantity of energy used has declined, spending on energy has nevertheless increased. So if Medicare benefits were cut, Medicare spending might still increase.

What does the resource allocation model predict for human resources programs? In general, benefits per eligible recipient should decline in programs whose eligible population is growing, and increase in programs whose eligible population is declining. Also, the larger the program (in terms of public expenditure), the more pronounced these effects should be. (Consumers have made much larger adjustments to energy price increases than to sugar price increases, as the former plays a much larger role in most consumers' budgets.) Thus, the resource allocation model would predict cuts in benefit levels of those programs serving the elderly, and increasing benefit levels for those programs serving youths. Social security pensions might be cut back, such as through raising the retirement age. Assistance levels to college students or their families could be increased under this model.

The resource allocation model is just one way of looking at policy responses to demographic trends. Considerations other than changes in relative "prices" of different programs are also likely to be relevant to the policy responses. Some of these other considerations are included in a second model, one of constituent pressures.

b. Constituent Pressure Model.—One consideration in allocating resources among programs is that programs benefiting large numbers of voters by substantial degrees should attract substantial political support.

In the constituent pressure model, demographic trends affect the number of constituents benefiting from particular programs. When the number of persons benefiting from a program increases, support for the program increases. As a result, benefits per eligible person are increased.

This model yields predictions that are roughly opposite to those of the resource allocation model. Programs serving the elderly should increase benefit levels as the proportion of the population that is elderly increases, according to this model.

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The fact that these two models give opposite predictions makes forecasting of the human resources budget difficult. Demographic trends are likely to set off forces that work in opposite directions.

Two considerations emerge as determinants of the relative importance of resource allocation forces. First, the more severe the constraints on total Federal outlays, or on human resources outlays in particular, the more predictive power the resource allocation model has. When resources are constrained, tradeoffs are more likely to be carefully considered. Second, the larger the outlays for a program, the more important resources allocation considerations will be. Relative price changes tend to have greater effects on the budget when large items are affected and result in greater adjustments (recall the energy prices versus sugar prices example).

The implication of these considerations is that demographic trends might cause benefit levels in the large programs benefiting the elderly—Social Security pensions and Medicare—to be cut back or have their growth slowed. Programs which serve youths, which have a much smaller share of the budget, may not find their benefit levels per eligible expanded. In fact, benefit levels could even decline in these programs.

C. REGIONAL MIGRATION—TRENDS AND ISSUES

REGIONAL ASPECTS OF MIGRATION

By Peter A. Morrison *

1. Introduction

In this paper, I will outline the principal regional shifts in population, the new locational choices of migrating Americans, and the wave of growth now descending on the nonmetropolitan areas. These demographic changes have given rise to larger political concerns—typically, to issues connected with growth or with its disappearance, for population movement is the major determinant of local growth or decline.

Citizens have the right to move anywhere they choose, of course—but communities are not obliged to welcome unbridled growth. Whether growth is welcomed or opposed often depends on what the newcomers are like, as is illustrated by the following anecdote. It is about a place called Pacific Springs, in what is now Southeastern Idaho. It was there that the Great Overland Trail leading west split into two forks. There, the migrant had to choose: whether to go to Oregon or to California. As the westward rush grew, the people already settled in Oregon started thinking about how they might influence that choice and weed out the undesirables. So along the first few miles of trail to California they scattered handfuls of gold nuggets, while at the start of the other trail they put up a sign that just said "Oregon." Very few people chose Oregon—just the ones who could read.

2. Political Aspects of Slower Population Growth

Our nation has moved into an era of slower population growth. One inevitable consequence of this slowdown is that geographic redistribution—specifically, people's locational choices—has taken on greater political weight than before. There are several reasons why.

First, when fertility rates are low, migrants' choices of where to move have a greater influence on local growth or decline than the numbers of new babies. Moreover, migrating adults are more influential than babies, whether they migrate or not. Babies don't hold jobs or buy houses, nor will they enter a voting booth until they are 18. But people over 18 who arrive at or leave a place represent a transfer of immediate buying and voting power. This creates a so-called zero-sum framework, in which population growth in one region or

*The RAND Corporation.

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place occurs largely at the expense of other places. Federal aid often is keyed partly to the size of the population that an area can call its own.

A second political aspect of these shifts is that the slowdown and disappearance of growth is not occurring uniformly or simultaneously in all parts of the nation. In New York and Rhode Island, for example, out-migration has completely halted population growth. Ohio and Pennsylvania are close behind. Many metropolitan areas—mostly the very large ones—have stopped growing. Zero population growth, then, is not a condition that appears everywhere at once, but rather one that is emerging earlier in some regions than in others. That fact has profound implications.

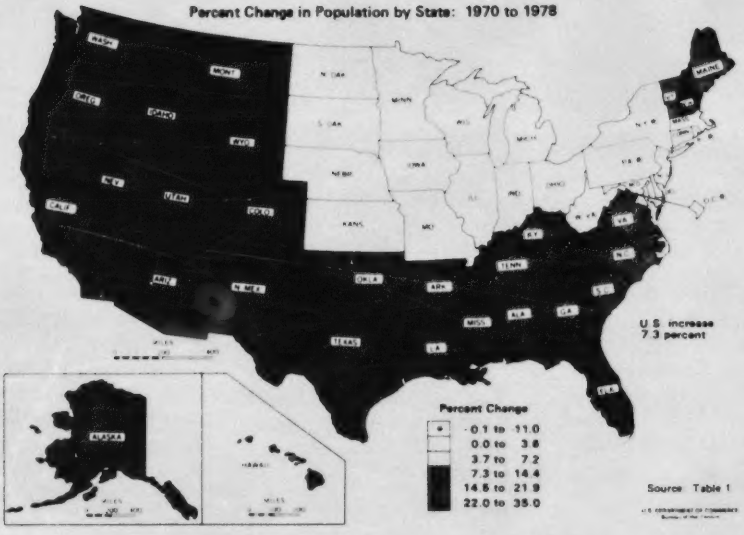
Finally, contemporary migration trends themselves have changed. During the 1970s, the movement South and West intensified, with migrants favoring smaller communities instead of large cities. This emerging preference for "small" extends all the way down to tiny rural communities, even those distant from large urban centers. These new migration trends have reshuffled the locations of growth and decline.

3. Regional Shifts in Population (the Sunbelt and Snowbelt Issue)

Figure 1, which provides an overview of regional population shifts during the 1970s, illustrates how people's changing locational choices have slowed growth or accelerated it in different parts of the country. The industrialized Middle Atlantic states recorded a slight absolute decline during the decade.

Figure 1

3



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New York's population dropped 4 percent, and Rhode Island's almost 1 percent. What stunted growth in much of the Northeast and Midwest was the exodus of migrants headed for the South Atlantic, South Central, and Mountain states. Their movement resulted in heavy growth for several states. Arizona and Nevada grew by over 40 percent, Idaho and Colorado gained about 30 percent, and Texas added about 20 percent.

As migration has rearranged the population, it has also restructured regional political interests and electoral strength. All in all, 17 congressional seats are expected to switch after the 1980 census. As Figure 2 shows, the states expected to gain include Florida, which adds 4; Texas adding 3 and California 2; and the others each adding 1 seat. The States expected to lose seats include New York, which loses 5; Illinois, Ohio, and Pennsylvania, each losing 2; and six others, each losing 1.

FIGURE 2.—17 CONGRESSIONAL SEATS LIKELY TO SHIFT AFTER 1980

State	Gain or loss	New total
Florida	+4	19
Texas	+3	27
California	+2	45
Arizona	+1	5
Colorado	+1	6
Nevada	+1	2
New Mexico	+1	3
Oregon	+1	5
Tennessee	+1	9
Utah	+1	3
Washington	+1	8
New York	−5	34
Illinois	−2	22
Ohio	−2	21
Pennsylvania	−2	23
Indiana	−1	10
Massachusetts	−1	11
Michigan	−1	18
Missouri	−1	9
New Jersey	−1	14
South Dakota	−1	1

What about the future? You can take your pick of various forecasts—none has a very reliable track record. The Census Bureau's most recent projections for the period 1980–2000, shown in figure 3, furnish one plausible scenario. However, they must be used with caution, for the projections are based on assumptions about migration and fertility that may not prove correct. (These assumptions do embody present "best guesses" about forthcoming trends.) Even so, the range shown in figure 3 generally indicates meager growth in the Middle Atlantic and North Central States and far more rapid growth in much of the South and West. Once again, we see the uneveness with which slowing population growth will make its debut in different parts of the country.

What accounts for the regional migration shifts that underlie these trends? I won't recite the familiar list of economic and job-related factors. Suffice it to say that interregional migration reflects people seeking opportunities, and the basic explanation is the people are moving from regions where jobs are dwindling to areas where workers are needed. Economic opportunity is not the entire story, however, for evidence is mounting that migrants also are responding to other "quality of life" factors. For some, it's a milder climate; for others, access to recreation and the outdoors. Many people are moving to areas where

living costs are lower. Although economic opportunity remains central, other forces that attract people to an area are now beginning to compete with it.

FIGURE 3.—Projected population growth: 1980–2000 [1]

Region/State	Growth (percent)
Pacific	22–25
Washington	
California	
Oregon	
Mountain	28–37
Montana	
Idaho	
Wyoming	
Nevada	
Colorado	
Arizona	
New Mexico	
Utah	
West South Central	22–25
Texas	
Oklahoma	
Arkansas	
Louisiana	
West North Central	11
North Dakota	
South Dakota	
Nebraska	
Kansas	
Minnesota	
Iowa	
Missouri	
East North Central	7–12
Wisconsin	
Illinois	
Indiana	
Ohio	
Michigan	
East South Central	14–18
Mississippi	
Alabama	
Tennessee	
Kentucky	
South Atlantic	26–31
Maryland	
Delaware	
District of Columbia	
West Virginia	
Virginia	
North Carolina	
South Carolina	
Georgia	
Florida	
Middle Atlantic	4–7
Pennsylvania	
New Jersey	
New York	
New England	15–16
Maine	
Vermont	
New Hampshire	
Massachusetts	
Connecticut	
Rhode Island	

[1] Includes only continental United States.

Source: Calculated from U.S. Bureau of the Census. Current Population Reports. Series P–25, No. 796. Range shown is for assumptions II–A and II–B.

4. Shifts to Smaller Areas

The changing calculus of location is apparent in the kinds of settings—especially the newly attractive nonmetropolitan areas—that people now favor as places to live. During the 1950s, the major migration began in the central cities and ended in the suburbs. But the central cities simultaneously were being replenished by an influx of young people from rural areas seeking better jobs.

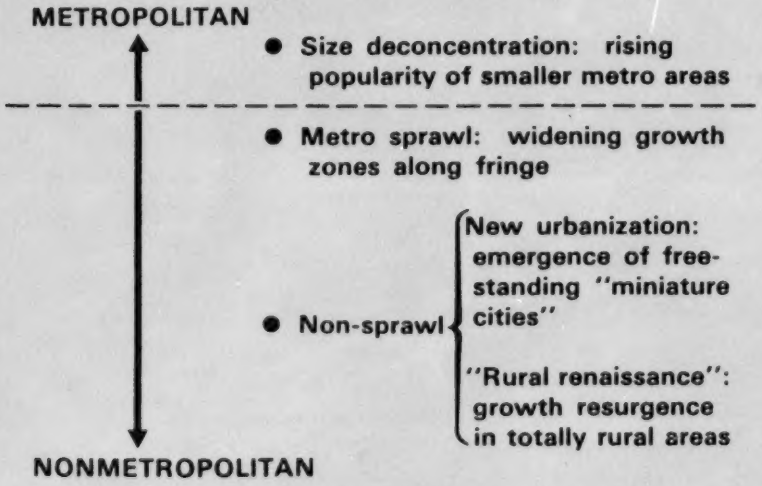
By the end of the 1960s, population losses in large central cities mounted and by the early 1970s, it was apparent that migrants no longer were leaving from just the central cities. Population decline was becoming a phenomenon of entire metropolitan areas, including some of the suburbs ringing the central cities.

Migrants today are opting increasingly for smaller community settings. This drift of people away from large communities—deconcentration, as I'll call it—has taken several forms, as shown in figure 4. The first I've labeled "size deconcentration", denoting the increasing tendency of migrants to shun the very large metropolitan centers in favor of smaller ones, places such as Austin, Texas; Boise City, Idaho; and Wilmington, North Carolina.

Second, the traditional pattern of suburban growth has penetrated farther out into territory beyond the existing metropolitan boundaries. Labeled "Metropolitan Sprawl" in figure 4, these are the widening zones of growth within 50 or 100 miles of a major metropolitan center.

FIGURE 4

POPULATION DECONCENTRATION: THE SHIFT TOWARD SMALLER COMMUNITIES


METROPOLITAN
● Size deconcentration: rising popularity of smaller metro areas
● Metro sprawl: widening growth zones along fringe
● Non-sprawl
New urbanization: emergence of free-standing "miniature cities"
"Rural renaissance": growth resurgence in totally rural areas
NONMETROPOLITAN

Under the "Non-sprawl" heading are two other types of deconcentration under way in the more remote areas of nonmetropolitan America. First, small urban centers with 10 or 20 thousand inhabitants are emerging as free-standing "miniature cities"—an example is Salisbury, Maryland. Second, tiny communities are springing up in northern New Hamsphire, upper Michigan, the Ozarks, the Sierra Nevada

foothills, and other totally rural areas—a kind of "rural renaissance." Some of today's migrants are quite literally looking for greener pastures.

The absolute numbers of newly arriving migrants in these places isn't large, but since the places themselves are small, the arrival of a few people can have a substantial impact. In Stanley, Idaho, fifty newcomers would double the population.

The factors inducing this new wave of population growth in nonmetropolitan areas are diverse. Metropolitan sprawl—an extension of what we loosely regard as suburbanization—accounts for about half the overall increase in nonmetropolitan growth. It is the other half that reflects the distinctly new and different forces at work.

The acceleration of growth in rural areas derives from a variety of specialized activities suggested in Figure 5. Rural growth communities come in a variety of types. Some are based on tourism and recreation—Ocean City and other beach communities on the Maryland shore are local illustrations. Others are based on retirement. Indeed, retirement communities are springing up all over the country. Cape May County in New Jersey and North Carolina's Outer Banks and Cape Hatteras are local illustrations. Retirees favor smaller towns where they can combine low living costs with an escape from big-city woes.

FIGURE 5

SPECIALIZED TYPES OF RURAL GROWTH COMMUNITIES

- Tourism and recreation communities
- Retirement communities
- Professional service communities
- Energy boom towns
- Counterculture communities

Professional service communities tend to coalesce around institutions of higher education, to which other knowledge-intensive industries are then attracted. A good local illustration is Charlottesville, Virginia, where we see the University of Virginia, the Federal Executive Institute, and an assortment of small colleges all located in one area.

Energy boomtowns are another specialized creation of the present day. They include places like Gillette, Wyoming, and Colstrip, Montana, as well as the newly revived coal mining areas in Appalachia.

Counterculture communities develop around common ideological themes, like abandoning city life to weave rugs and grow organic food. Such communities tend to be highly localized and are not so numerous as commonly thought. And, contrary to popular belief, they do exist outside the boundaries of California.

What types of people are moving to nonmetropolitan areas? In most respects, they are unremarkable and resemble a cross-section of Americans on the move. Blacks are the only noticeably absent segment. Compared with nonmetropolitan residents they join, however, the newcomers are distinctive. A larger proportion of the latter are in their 20s and 30s, which means they often bring school-age children with them. They also tend to be college-educated and working in white-collar occupations. Perhaps most important, though, the newcomers bring with them urban standards of service and care. It's not just the presence of school-age children, it's their parents' expectation that the schools should provide a curriculum as full as was provided where they used to live. And while they may cherish Norman Rockwell's paintings of the old-fashioned horse-and-buggy doctor, when these newcomers to nonmetropolitan areas get in trouble, they want an emergency room close by and a cardiovascular specialist right away. More generally, the newcomers are likely to make heavier use of certain types of assistance, such as AFDC and food stamps, that traditionally have been underutilized in rural areas.

5. Broader Political Concerns

Figure 6 notes distinct ways in which population shifts act as catalysts for broader political concerns. First is the matter of how many people an area can claim as its own inhabitants. This "head count" is rapidly becoming a quantity to be negotiated rather than a fact to be established. Federal aid formulas translate this "head count" into dollars, which tend to disappear if an area loses population.

Second, the migration of dependent populations can scarcely be a matter of local indifference because of the real—or perceived—costs they impose. For example, rural areas may attract elderly persons whose health needs will have to be met in those areas. Moreover (and in spite of evidence to the contrary), popular beliefs about migrants persist, such as the notion that low-income migrants move to large cities like New York to gain access to generous welfare allowances.

Population shifts also affect the quality of the labor force in a region. The Middle Atlantic States, for example, are losing skilled workers to the South and West. Often, young adults educated at one region's expense move themselves—and that investment—to another region.

FIGURE 6

POPULATION SHIFTS: CATALYSTS FOR BROADER POLITICAL CONCERNS

- **The "head count": Congressional reapportionment, federal aid formulas**
- **Dependency: Spatial redistribution of elderly, poor, welfare recipients**
- **Labor force quality: Affected by selective influx/outflow**
- **Illegal aliens: Competition for jobs, use of local services**
- **"Shrinking pains" as growth disappears**
- **Newly experienced growth: "urban" standards of newcomers to rural areas**

My discussion would be incomplete without some mention of illegal aliens, substantial numbers of whom are now scattered throughout the nation. How their presence affects the economy is anybody's guess. According to some, alien workers take jobs that unemployed Americans or legal migrants could fill. Another widespread belief is that undocumented aliens overburden social services, taking more in the form of service than they contribute in taxes. These allegations have gained wide currency; the evidence, however, is mixed, and whatever the impact of illegal aliens may be, it probably varies from place to place. The presence of undocumented persons has become especially problematic for central cities in their efforts to provide health care. The invisibility of illegal aliens means financial disruption for the health-care delivery system.

Over the next decade, demographic change will give greater prominence to "shrinking pains"—the need to adapt to an absence of growth. Decline is not a graceful process, and the transitions it imposes are especially difficult. The forerunners of these problems are already visible in places like Philadelphia, Cleveland, and St. Louis, where growth has disappeared.

Finally, there are the problems of newly experienced growth in rural areas, where the newcomers often impose urban standards on areas that are ill-equipped to cope with growth.

THE IMPACT OF DEMOGRAPHIC CHANGE ON HOUSING AND COMMUNITY DEVELOPMENT

By Morton J. Schussheim *

1. Introduction

Some years ago a distinguished city planner named Charles Abrams wrote a book that he called "The Future of Housing." [1] Not surprisingly, he begins with a discussion of the earliest settlements in America and the later migrations from overseas, the movements from East to West, and the concentration of people in dense cities. But population change was not the sole factor in determining the pattern of community development, as Abrams notes. Each generation inherits much of its housing and public investments from earlier ones. These structures and the property rights vested in them shape and limit the choices of succeeding generations. And Abrams goes on to show how prevailing attitudes such as those about individualism, the right to use and misuse land and other resources, and the role of government all influenced public policy and investment decisions in housing and community development.

I make these points at the outset because, in focusing on demographic changes as they affect human habitations and welfare, there may be a tendency to overlook other factors. Today, market analysts and community planners frequently start with population trends in projecting housing requirements for a community. But they also take into account such factors as household income, consumer preferences and life styles, the quantity and quality of the standing stock of housing, and the costs of producing and operating new housing.

2. Some Key Demographic Trends and Implications

With these caveats, let us look at some of the main population trends that will influence the need for housing and community facilities.

a. Households growing faster than population.—While the rate of growth of population is slowing down relative to the rates of the 1950s and 1960s, the rate of household growth is relatively high. Why is this? First, there is the bumper crop of persons reaching adulthood; second, while many are deferring marriage, more and more individuals seek to maintain independent living arrangements. In earlier decades, the 1920s and 1930s, moral attitudes and economics kept many young single women and men in the parental home. Today, the constraints are less stringent, incomes are relatively higher, and millions of young single adults have their own living quarters. The elderly, too, are increasing relative to the general population. Since more and more of our older people are maintaining their own places rather than living

*Senior Specialist in Housing, Congressional Research Service.
[1] Harper and Brothers, New York, 1946.

with relatives, this group is another source of the rise of households relative to population. In the 1970s, more than two-fifths of the increase in households were one-person households.

Implication: This spreading out of people means that more housing units will be required to accommodate a given increase in the population. The units will not have to be as large as for families with children, but they will be relatively costly per person since each household needs its own bathroom and kitchen, two of the costliest components in a dwelling unit.

Public officials in many areas may want to reexamine their zoning laws and building requirements to see if they are appropriate to the shifts in types of households and life styles. Some communities are already searching for ways of reducing land and building requirements so as to permit faster and less costly housing construction methods, higher density developments, and smaller housing units.

b. The age distribution and housing demand.—Despite changing life styles, people are still getting married and having children. Typically, they then try to buy a house, with or without a white picket fence. During the 1980s the number of persons between 25 and 34 will increase by about five million. The normal desire of such people to buy a home may be reinforced by inflation expectations with regard to housing and the tax advantage of owning rather than renting, although these factors are likely to be less pronounced than in the late 1970s.

Implication: Of the new units added to the supply, three-fourths or more are expected to be houses or condominiums that are purchased rather than rental units. Overall, the demand for housing in the 1980s associated with the net increase in household formations will likely be in the range of 1.5 to 1.7 million a year. Replacement of losses might require another 400,000 to 800,000 units a year. Altogether, we shall need two million or more new units a year. But in the early 1980s, we were only producing 1.3 million to 1.5 million units each year, including mobile homes. A squeeze on housing is in prospect.

If new housing production is not sufficient to meet these requirements, there will be increased pressure on the existing housing inventory in many communities. This could take the form of conversions of single-family houses into multifamily structures, sharing of houses, and group living arrangements. Local jurisdictions will have to decide whether to legalize such changes, look the other way, or block them. The Federal Government may be faced with requests to support such changes through grants, loans or other types of assistance.

c. Regional shifts.—It is no surprise to the residents of Pittsburgh, Cleveland, or St. Louis to be told that population growth is slowing in the Northeast and North Central regions and going strong in the South, Southwest and Western parts of the country. Almost everyone has a relative or friend who has moved or talked about moving to the Sun Belt. Today about half of the nation's housing is located in the older and colder parts of the country. But during the next 10 years these sections are expected to get no more than a third of the new housing construction. The lion's share will go to communities in the South (40 percent) and the West (25 percent), from West Palm Beach-Boca Raton to Houston and from Phoenix to Riverside-San Bernardino.

Implication: Some communities in the South and West will have to expect continued heavy in-migration and to prepare for this growth. They would be well-advised to strengthen their planning activities and to reexamine their zoning laws, subdivision requirements and building costs. Constructing community facilities with a reasonable amount of excess capacity and guiding development to parts of the community already serviced with basic facilities will save a lot of money. A fresh look at local taxes and user charges to pay for the additional services may also be in order. For communities faced with population losses there is the unhappy task of preparing for decline. Service cutbacks are always unpleasant but they may be necessary. Residents of declining neighborhoods may have to be mobilized to maintain their properties and streets before decay becomes irreversible. And there is even the possibility of closing off some sections of the city that have lost many residents and shops and are deemed beyond redemption.

For Federal agencies involved in housing finance or small business loans, there is the possibility of increased losses and perhaps demands for bailouts of private lenders and property owners. Support may grow for revitalization efforts, such as proposals for so-called enterprise zones.

d. The surprising upturn of some non-metropolitan areas.—As recently as 1970 most demographers were projecting the uninterrupted shift of people to metropolitan areas and the continued demise of the smaller, non-metropolitan communities. But something funny happened on the way to the eighties: non-metropolitan places began to grow at a faster rate than metropolitan areas. This has been a reversal of a half-century-long trend, and it is by no means certain to continue. To some extent it may be a definitional phenomenon: growth in the counties adjacent to but not yet officially included in metropolitan areas. But that does not explain all of the growth.

The non-metropolitan growth is not attributable to any one cause. In some places this growth is due to recreational activities, as in the Rocky Mountains, the Upper Great Lakes and northern New England. Elsewhere it is associated with energy production or changes in energy supplies: the south Appalachian coal fields, the northern Great Plains, and the Mountain States, among other places. Retirees have been attracted to some small communities in Florida, Arizona, the Ozarks and similar areas. And towns throughout the South have been sought out by small manufacturing companies.

Implication: The obvious thing to say is that non-metropolitan communities must be prepared for growth. A more specific suggestion is to be careful about installing and providing public services at the high standards some of the newcomers from urban areas may call for. Some services can appropriately be provided at lower levels in reflection of lower population densities and smaller concentrations. But this is not an easy matter to decide, whether viewed from an engineering, public administration or political standpoint.[2]

e. Movements within metropolitan areas.—Within metropolitan areas, the suburbs continue to grow faster than their central cities. Indeed, many central cities are still losing population. In some cities, especially in the Northeast and North Central regions, people who can

[2] See CRS report, "Rural Development: An Overview," Senate Committee on Agriculture (1979); also Urban Land Institute, "Growth and Change in Rural America" (1979).

move seem to be opting out—choosing suburban residence if at all within their means. Left behind are the least mobile—the most disadvantaged and helpless members of society. What about "gentrification?" Are not the affluent suburbanites moving into the cities in droves and reclaiming the old neighborhoods? The answer is no. Gentrification—the renovation of older houses and neighborhoods in cities by well-heeled gentry types—is occurring in some cities and in some neighborhoods, but it is a very selective and limited process. It is taking place in cities like Washington, D.C. and San Francisco where there is a substantial job and cultural base in the center city, but even in these cities it is only certain neighborhoods in which renovation is concentrated; many sections of older cities remain untouched by and unattractive to upper income homeseekers.

The suburbs remain the prime residential choice of middle and upper income families with children. Anthony Downs of the Brookings Institution argues plausibly that the middle-band suburbs are the most attractive for such people, especially in light of rising energy and transportation costs. The relatively higher rises in home and land prices in such suburbs appear to lend credence to this view. So suburban growth will continue, but perhaps at a slower rate. And some older suburbs are taking on problems of the central city: rising municipal service costs, fiscal strains, and concentrations of minority residents.

Considerable development is also occurring in the far suburbs of large metropolitan areas. Fringe communities, in some cases just outside the official metropolitan boundaries, are attracting people who want single family homes but cannot afford the more expensive suburbs. Typically, they are in occupations that do not require daily trips to the very center of the metropolis, although many people work in the metropolitan area. Some, for example, are in the building or service trades; they drive to job sites that are shifting and accessible by outer belts that now ring the metropolitan areas.

Implication: Central cities with large concentrations of disadvantaged residents and eroding tax bases will continue to look to the Federal Government for financial and economic aid. Some older suburbs are joining the clamor for help. But with rising costs of municipal services everywhere and public sentiment to hold down taxes and spending, the cities are faced with a period of belt-tightening and further cutbacks in services.

3. Population Shifts and Federal Policy

The United States does not have a consistent set of policies with regard to the distribution of population. Historically, there has been a high premium in this country on freedom for the individual to choose his or her residential location. Americans are probably the most mobile of all people in terms of housing; on average, we move two to three times as frequently as Western Europeans. And Federal supports for housing and transportation generally facilitate this high mobility. In the 19th century it was lavish land grants to railroad builders to open up the west, and free or inexpensive land to individuals willing to move into the hinterland and take up a homestead. In the 20th century we have invested billions of Federal tax dollars in an interstate high-

way system and instituted various types of guarantees and tax benefits to encourage mortgage lending and borrowing for the purchase of homes.

In the last several decades the Federal Government has attempted to encourage planning for community development and public investment on a metropolitan or areawide basis, with some limited success. Federal policies were also adopted to renew or rehabilitate wornout sections of cities and towns. To some extent this involved displacement of lower income residents by higher income newcomers, arousing resentment and resistance. Subsequently, urban renewal policies were modified to encourage rehabilitation for the same income groups residing in older neighborhoods and to provide more housing assistance for people with incomes below the community median.

Some argued, however, against this type of Federal aid as actually perpetuating economic and racial ghettos and instead urged dispersal of the urban poor among the larger population. This controversy is by no means settled. Moreover, there is a broader question of priorities for Federal financial support. At present, the Federal Government, through tax preferences for homeowners, helps far more middle and upper income families select their preferred homes and neighborhoods than the number of poor families directly assisted by Federal housing subsidies.

Federal policymakers have not directly addressed the issue of regional shifts in population and industry—the Snow Belt versus the Sun Belt. Some formulas for Federal fund distributions favor the older cities, many of which are in the Northeast and Midwest. But Federal defense spending on installations and procurement probably goes more into the South and West than the colder regions. On the whole, present Federal policies and actions on regional population movements tend to permit market forces and individual preferences to work their way, and these are encouraging people and industry to shift to the Sun Belt communities.

4. Population Policies of Local Governments

A declaration of urban policy by the Federal Government is one thing; its implementation by local governments is another. Federal policies in the late 1970s sought to induce dispersal of the poor and minority families throughout metropolitan communities. But many—perhaps most—suburban communities do not really want poor people as residents. So they erect restrictions that effectively frustrate Federal objectives. Fiscal zoning is a traditional device of some local governments: standards for residential development are set so high and costly as to effectively screen out families of moderate or low income. The restrictions can take many forms: two-acre minimum lot sizes, minimum floor area per living unit, prohibitively expensive street and utility requirements or dedications of land to the community required of the builder. Some local governments adopt slow growth or no growth policies assertedly to protect a fragile natural environment. Sometimes, however, restrictions on construction in the name of environmental protection may simply mask a desire to preserve the status quo for the present class of residents.

Similarly, many localities prefer to go it alone or even do without when it comes to sewer facilities, air pollution control, waste removal or other public services. Some of these services are characterized by economies of scale either in the physical investments or the technical know-how to develop and operate them. Federal agencies have tried to induce localities to enter into joint or cooperative arrangements, and have made some Federal loan and grant programs contingent upon such collaborative efforts. But the implementation of such Federal requirements is not automatic. There is a continuous tug-of-war between national objectives of efficiency, equity and equal opportunity as perceived by Federal legislators and administrators and the desire for local control and flexibility on the part of local officials. Under the Reagan Administration, however, Federal involvement in such matters is being curtailed, and more discretion is being left to State and local officials.

CENTRAL CITY ISSUES

By Robert Reischauer* **

1. Introduction

The past 25 years haven't been particularly good ones for central-city finances. I was asked to speculate about what the next decade might hold in store—more of the same, a period of rejuvenation, or what? In particular, I was asked to discuss whether or not the demographic factors that others have reviewed for you in this volume will significantly affect the future of central-city finances.

Anyone who speaks about central cities always begins with a caveat, and I will maintain that tradition. The caveat is that central cities are extremely varied and defy generalization. Some are quite small, almost bucolic in nature. Places like Asbury, New Jersey, and Denison, Texas, are classified as central cities although they had fewer than 25,000 inhabitants in 1975. But even the big central cities vary greatly, making generalizations difficult. Houston and Detroit each had about 1.3 million inhabitants in 1975; yet their circumstances and problems are quite dissimilar.

2. Population Losses in Many Central Cities

Now that I have covered myself with the obligatory caveat, I will make some generalizations. First, I will say a few words about past demographic trends in central cities because I think future trends will be quite similar. The most significant demographic change of the past three decades, of course, has been the tremendous population loss that has occurred in many central cities. The populations of many large cities peaked around the beginning of the 1950s and have been declining ever since. Some cities have lost significant numbers of people. St. Louis has lost over 45 percent of its 1950 populations, while Buffalo, Cleveland, Detroit and Pittsburgh have lost 35 to 40 percent of theirs.

These population losses wouldn't have been so painful if they had been evenly distributed, but the losses were concentrated largely among white, middle-income and middle-age groups. This uneven distribution of losses has resulted in city populations that are poorer, more nonwhite, more aged, and have greater numbers of single-parent families.

A digression is in order at this point. Often when people think about population losses they picture more and more people packing their bags, selling their homes, and moving out. In fact, the rate of departure may stay relatively constant. What usually happens is that people don't move in at the same rate, or babies aren't born as often. A second point is that the demographic trend need not be what the mathematicians refer to as a monotonic function. Overall, middle-income and

*Senior Vice President, The Urban Institute.
**This paper was written while the author was Deputy Director, the Congressional Budget Office.

richer people may be leaving cities and poorer people staying. Yet the pattern need not be quite the same everywhere. One study of migration trends in the District of Columbia found that in 1965–75—the last period for which we have good income-related migration data—these generalizations held, but that there was at the same time a net in-migration of the richest income class. This occurred at a time when the flight of white and middle- and upper-income people was at its peak in the District of Columbia. In other words, the factors affecting middle- and upper-income families weren't dominant among the richest groups.

3. Economic Changes and Job Losses

Along with population losses, there have been significant shifts in the economies of central cities that have consequences for their fiscal situation. Many of the older cities have experienced significant job losses. In Newark, Cleveland, St. Louis, and Detroit, an average of three percent of the jobs have disappeared every year since the early 1970s. These aren't small losses; the job base is hemorrhaging. It is mainly the manufacturing jobs that are disappearing as big cities become more and more heavily service-oriented. The nature of the services in which they specialize is also changing—shifting toward services that require highly educated people. The retail sales jobs that formerly employed many low-skilled city workers are moving, along with the middle-income people and their purchasing power, to the shopping malls in suburbs and in the non-metropolitan areas.

4. The Gap Between Fiscal Capacity and Service Needs

The fiscal consequences of these demographic and economic trends of the past few decades are fairly obvious, but they are not easily quantified. The fiscal health of cities is best measured by the gap between what might be called a city's fiscal capacity—its ability to raise revenues—and the service needs of its population. These concepts are very hard to define, let alone measure. Even if we could define and measure them well, that would not be the end of our problem; we are not interested in their absolute levels, but rather the comparative levels and needs of the surrounding areas with which the city competes as a place to live and do business.

To the extent that we are able to measure it, the fiscal capacity of big cities has deteriorated very markedly over the last 30 years. Going back to 1950, the fiscal capacity of many large central cities then exceeded that of their suburban surroundings. Today the pattern has been reversed in the older metropolitan areas. Property taxes still account for the great bulk—about 43 percent—of locally raised revenues. As studies have clearly shown, property tax values—the base of the property tax—vary inversely with population loss. In places where the loss has been greatest, the property tax base has shown the least growth.

Something else has been occurring along with the relative decline in the property tax base. The ability cities once had to export their tax burdens has been eroded. Their ability to export taxes to suburban areas and to other parts of the country has been diminished by transportation and communication revolutions. No longer do cities have a

captive tax base that they can lay heavy burdens on without fearing that the tax base may leave.

5. Where Has the Money Come From?

As their relative fiscal capacity has fallen, how have cities been able to pay for the substantial increase in services—or at least expenditures—over the last several decades? The first answer is that cities have turned to other sources of revenue such as sales and income taxes, as well as an assortment of fees and charges, to offset the sluggish growth in their property tax base. The second answer is that their tax effort has risen—they are taxing themselves more heavily. The average declining city now taxes itself at about twice the rate of its suburban areas, in terms of an effort measure. The third answer—one that may be most important from a congressional perspective—is that there has been a tremendous increase in government aid to these cities. In dollars, the biggest chunk, of course, has been State money. In percentage terms, the largest growth in aid has come from the Federal Government. Back in 1950, only a tiny portion of the budgets of major cities was drawn from the Federal till. Now about 12 percent represents direct Federal intervention of one kind or another. Some researchers have found that when we include indirect Federal aid—that is, Federal money that passes through the State governments—some cities like Cleveland have drawn up to 40 percent of their revenues from the Federal Government in certain years. Revenue sharing, community development block grants, urban development action grants, local public works, countercyclical revenue sharing and CETA are among the sources of this largesse in the past.

How pervasive the Federal role is can be seen from a Department of the Interior estimate that one-third of the parks and recreation budget of the average large city is financed, directly or indirectly, by Federal monies. One would not think of parks and recreation as an area in which the Feds were heavily involved.

6. The Decade Ahead

With this as background, let me talk briefly about the next 10 years, specifically about the impact on city finance of demographic shifts. My hypothesis is that the trends that we've seen in the last 30 years will be slowed somewhat but will not be reversed. The cities will experience continued population losses, but at a slower rate. One reason for this is that the folks left in the cities are less mobile. The fraction of the central-city population that is non-white will continue to grow. Nonwhites have higher birth rates than whites so that the regenerative power of the population will be somewhat larger than was the case in the past. The influx into the city of people between the ages of 20 and 30 will continue; they have more of a proclivity, or less of a disinclination, to big city life. As this group grows older, however, suburban life will begin to look more appealing.

Moreover, market forces are at work to slow the decline of the cities. As people leave, housing gets relatively cheap—to the point where, at some price differential, people are willing to take city life over suburban living. Furthermore, cities with lower populations become less

congested, and possibly less crime-ridden and polluted; in short, they may become more desirable places to live.

The compositional trends of the past are also likely to continue. This means that large cities in 1990 will have populations that, relative to the population as a whole or the situation today, are older, blacker, poorer, and more heavily composed of persons needing government services.

The economic trends of the past are also likely to continue. Cities will experience a continued loss of jobs, manufacturing jobs in particular. This trend will be affected by the regional shifts that are taking place today. Up until about 1975, many cities were experiencing job and economic losses within their own boundaries, but few of the cities were in metropolitan areas that were also declining. In other words, many a sick city was in an area or a regional economy that wasn't on its death bed. Now, the declines in jobs and people affect significant numbers of metropolitan areas as well. This seriously restricts the alternatives available to the people within the cities and limits the resources upon which the affected city governments can draw.

The decontrol of domestic oil prices, and rising energy costs in general, will affect the economies of cities in the various regions of the United States in different ways. Hardest hit will be the factories and economies of the older cities of the Northeast and Midwest. It seems likely that the recessions we experience in the 1980s will be similar to those of 1973–75 and 1980, which were more severe than the average postwar recession; the deep, prolonged recessions of the 1970s took a serious toll from cities with older industrial bases.

Such cities will be able to draw little solace from Federal tax and investment policy. The Nation is currently concerned with slow productivity and economic growth, and it is likely that new government policies to stimulate investment will be adopted. It is hard, if not impossible, to design policies that stimulate new investment without creating incentives to shut down old factories, those located in the declining cities. As a result, absent special efforts at central-city rejuvenation, little of the new private investment is likely to be located in the declining cities.

7. Three Major Forces

Now let me raise the question of whether these factors—population losses, compositional changes, and job losses—will be the forces determining the course of central-city finances during the decade of the Eighties as they did during the Seventies. My answer to this question is no. Rather, three other forces are going to be more important.

a. The Economy.—The first of these will be the general economic situation. The decade will probably be a period of very high inflation and slow economic growth. That will have a profound impact on property taxes upon which local governments rely. Property taxes are very hard to adjust to rapid changes in nominal prices—prices that have inflation built in. It is hard to develop the capacity or the will to revalue the property continually when the value of the property is changing rapidly in nominal terms but not as rapidly as it is elsewhere, and when taxpayers' incomes aren't rising in real terms—that is, after the inflation is factored out. Central cities must then impose higher effective tax rates; yet many of their residents won't have the ability to pay the higher rates.

High inflation is also going to wreak havoc with the wage determination process in the public sector. This will hit big cities particularly, because they have highly unionized labor forces. City managers and government workers face no market tests for their services. They will tend to focus on what is a "just" wage settlement—that is, one that will at least keep pace with inflation. There will always be groups of workers in the private sector who make out well relative to inflation. These will be used as reference groups to put pressure on city governments to make wage payments that exceed their capacity.

Rapid inflation and stagnant real wages are likely to rekindle efforts to pass local tax and spending limitations. When real wages aren't growing, tax reductions offer the public one way of getting an increase in disposable income. The Federal tax burden reached its highest level in history in 1981. While this led to successful efforts to cut Federal taxes, it will also have repercussions at State and local levels. It is often easier for people to do something about their State or local taxes than their Federal taxes. If this happens—if progeny of Proposition 13 are born—central cities will feel the impact more than suburban counties.

b. Federal Aid.—The second factor that will significantly influence the fiscal conditions of central cities during the decade of the 1980s will be a slow growth in Federal aid. During the 1960s and 1970s there was a tremendous explosion of Federal assistance to local governments. Now, if you make certain basic assumptions—that Federal spending as a percentage of GNP won't grow over the next decade, that the defense and energy commitments that our political leaders are making will be kept, and that there will be no major reductions in current benefit levels for entitlement programs, such as social security, unemployment insurance, and food stamps—then the conclusion is inescapable that the rest of the budget, including most grants-in-aid, will have to decline in real terms.

The shifts in political power that are taking place and the changed perceptions of national priorities mean that this reduction may not be viewed with much alarm by increasing numbers of Congressmen. With reapportionment and increased emphasis on defense, the interest of the Congress in redistributive aid policies that help hard-pressed cities could be lessened.

c. Past Sins.—The third factor that will influence fiscal developments in our large cities during the 1980s will be the sins of our past. During the last few decades cities have been putting off the day of reckoning wherever they could. That has to come to an end in at least two areas. The first of these is pensions. There was a great deal of growth in big city employment during the Fifties and Sixties. That work force is going to begin retiring in the 1980s. The pension funds in many big cities are not fully funded and therefore will not be able to withstand this development. Significant amounts of resources will be needed to meet these unfunded liabilities. Taxpayers will find that a growing fraction of their tax bill each year is devoted to paying for past, not current, services. The relationship between current taxes and current services will thus become more remote. As taxes rise and services decline, more middle-income persons may flee the cities.

The second area where we are going to have to atone for past sins is that of infrastructure. Maintenance, repair, and replacement of the

capital stock of most old cities have been neglected. Cities like Newark are on a 300- to 500-year cycle of replacing sewers. If Newark's sewer system had been built by the Romans, that might be an appropriate schedule. But, given current construction standards, the replacement cycle really should be closer to 80 years. The Baltimore road system is now being resurfaced on a 125-year cycle, although the optimal cycle is thought to be every 10 to 15 years.

The costs of this neglect of the capital stock of our cities will be substantial in some places. One study concluded that if Cleveland were to repair its bridges, that is, put them back in working order—not shine them, but paint them and do the things that will assure that they won't collapse—it would cost each of the city's residents $600. Repairing Cleveland's sewers would cost another $345 per capita. That's about a thousand dollars a person just to fix up the sewers and the bridges. Of course, if you ever imposed that sort of a tax burden on the citizens of Cleveland, many of them would leave.

8. Some Reasons for Hope

Let me conclude this somewhat gloomy discussion by saying that I don't think we will have a decade of unmitigated fiscal disaster in the central cities. There are three reasons for being mildly optimistic. First, we are more aware of the problems now than we were in previous periods. A lot is being done to understand future problems—to estimate their shape and size and the costs of alternative ways of dealing with them. Second, there are market forces at work that some pessimists tend to ignore. Our economy has self-correcting features. At some point, the price of land in the South Bronx falls so far that people actually want to build houses or factories there again. Labor costs, housing costs, and consumer prices slowly correct themselves in large cities, making such places increasingly attractive compared with the suburbs. Meanwhile, the ills of the cities—congestion, pollution, crime, decay—are beginning to occur in the suburbs.

Finally, the era of exploding local services has come to an end. There is a new realization at the Federal and State levels of the costs that are imposed on local governments, particularly on big-city governments, by certain Federal and State actions. Some sort of corrective action will probably come about on this front as well.

D. HUMAN RESOURCES PROGRAMS—TRENDS AND ISSUES

DEMOGRAPHIC TRENDS AND THE LABOR FORCE

By Everett M. Kassalow* **

1. Introduction

While not the only factor, demographic trends have a significant influence upon labor force developments. Given the theme of this volume, I shall concentrate on recent demographic trends and how they may influence labor markets and labor relations in the coming decades.

The great increase in birth rates beginning in the late 1950s and on through the 1960s has had a tremendous impact on the labor force, and, indeed, will continue to influence it for years ahead. In the 1970s alone, very largely as a result of the inflow of young people into the labor force and the growing labor force participation of women, the U.S. civilian labor force increased by about 22 million people.

The decline in the birth rate that we are presently experiencing will have a dramatic effect during the 1980s. Compared to the growth experienced in the last decade, the work force is projected to increase by only about 18 million in the 1980s, and over 60 percent of that increase would occur in the first half of the decade. In other words, there will be a one-fifth drop in new entrants. This overlooks the possibility of changing the size and structure of the labor force by deliberately relying upon higher flows of immigration. This slower growth will change labor markets. It will change jobs. It will change wage relationships. It could also have favorable effects upon unemployment rates, productivity, and any number of other things. And the process is, to a very large extent, irreversible. Anyone who is going to work in the 1980s in the United States has already been born.

Particularly significant in the coming decade is the projected absolute decline of approximately 1.5 million in the number of young people, ages 16–24, in the labor force. One result of the smaller increase in the labor force in the 1980s may be a lower teenage unemployment rate. Teenage joblessness has been severe for a good part of the 1970s; even during the so-called boom of 1977–79, unemployment rates among teenagers hit 16–18 percent. However, although fewer teenagers may lessen overall teenage unemployment in the 1980s, minority teens will probably continue to experience unemployment difficulties. Unlike the birth rate for the white population, the birth rate among minorities has continued at a fairly high level and the number of minority young

*Professor of Economics, University of Wisconsin.
**This paper was written while the author was Senior Specialist in Labor at the Congressional Research Service.

people pouring into the labor force will continue to grow during the early 1980s, and possibly even into the late 1980s. Thus, one can anticipate a general employment improvement for young people, but not as much for minority groups.

In 1981, the unemployment rate for minority youngsters 16 to 19 years of age was typically between 35 and 40 percent, while the comparable rate for whites has been less than 20 percent. This suggests that a number of special manpower efforts may be needed in the 1980s. These could include remedial manpower programs as well as subsidies to facilitate job creation in the private sector.

There will also be a strong demand for training and job mobility assistance programs. If even part of the electronics technological revolution which futurologists promise for the 1980s comes to pass, millions of workers could be displaced, while additional millions will be needed to fill the new jobs in electronics and communications. The continued decine and structural transformation of automobile and steel employment in the 1980s will also strain existing training and mobility resources.

To address the persistently high unemployment rates for young people, policies are needed to improve the transition from school to work. For a variety of reasons, this process seems to have become much more difficult in the last decade or two and there is growing interest in ways of easing it. Curriculum changes in secondary schools that emphasize opportunities for work experience offer one means of smoothing the transition.

Such changes would be especially important for teenagers who are not college bound. These young people often have problems with their first job placement. One drawback of stressing the vocational aspects of secondary school for such youngsters is that it can intensify class differences in the society. However, some reform of secondary education seems needed to make classroom experiences more relevant to the job markets faced by young people.

3. All-Volunteer Army

Another aspect of the decline in the numbers of young people is the impact upon the military manpower pool. The size of this pool is somewhat ambiguous, but the best data we have suggest that there will be about 25 percent fewer young people aged 17 to 22 as a group available for military service in the volunteer army by 1991 or 1992 than were available in 1977 or 1978.[1] This shrinkage of the available pool carries the threat that the volunteer army might not work in the future, and that we might have to resort to the draft or develop other alternatives—including a better pay system for the existing people in the military, more incentives for reenlistment, some change of the military retirement system to lessen incentives for early retirement, or a greater use of women in the armed services. Increased induction of women runs up against traditions and raises some military worries of a practical nature as well as legislative concerns. But there is evidence to suggest that if the barriers were let down, more women would volunteer for the armed services.

[1] These estimates are based on Martin Binkin and Shirley J. Bach, "Women and the Military" (Washington, D.C., The Brookings Institution, 1977, pp. 65–71).

4. Women in the Labor Force

One of the most striking demographic developments since the Second World War has been the heavy flow of women into the labor force. This influx on the order of 1.5 percent per year in the female labor participation rate has been described as a quiet revolution. That number is not small: a 1.5 percent increase represents a shift in the status of over a million people. During the entire post-war period, rarely, if ever, were year-to-year changes in the participation rates of males as great as .5 percent. Thus, the change in the female labor force participation rate is two to three times the change in rate for males—a truly striking difference.

The result is that the labor force participation rate for women rose from about 31 or 32 percent at the end of World War II to 52 percent by 1980. How much higher can it go? Projections that the female participation rate in the labor force might reach 60 percent by 1990 seem reasonable. It is estimated that two out of every three new entrants in the labor force in the 1980's will be women. The causes of this are somewhat speculative, but include social factors such as the women's movement and the possibility of more and better job opportunities. Fewer children, child-bearing at a later age, and improvements in birth control techniques also contribute to the greater availability of women for paid employment.

As women's attachment to the labor force becomes more permanent, jobs with better pay and promotional opportunities will develop for larger numbers of women. The continued growth of the service sector in the American economy, the sector which has always employed more women than men, also means more job opportunities for women. Part-time work is also likely to expand further, and this would also enhance female labor force participation. Women already hold close to two-thirds of all part-time non-agricultural jobs.

While not the only reason, inflation accounts for a significant portion of the labor force increases observed for women in the 1970s. The contributions of these new workers to family income helped to prop up household purchasing power in the face of double digit inflation rates.

The ramifications of a steady inflow of women into the labor force are many. It will keep the birth rate low, as women in the labor force are less likely to interrupt their careers to have children and raise a family. Those who have children and want to enter or re-enter the work force will add to the demand for child care facilities. There will be continued pressure to improve the treatment of women, whether in providing more equal benefits under the Social Security system, the Equal Rights Amendment, or specific affirmative action programs.

5. Population Policy

The lower birth rate also affects the characteristics of the labor force. Whether there will be enough concern to make the United States consider adopting a formal population or demographic policy is difficult to know. A number of European countries have instituted measures to encourage family formation, such as children's allowances and housing subsidies. In the United States, demographic policy

could encompass a redirection of immigration policy, possibly by using immigration to meet labor force needs on a more systematic and planned basis. In the absence of better controls on illegal immigration than we now have, economists have predicted that any U.S. shortage of unskilled manpower in the late 1980s and 1990s is likely to increase the illegal flow. Under a revised approach, immigration policy could at least partly take account of specific manpower needs while retaining the traditional emphasis on family unification and other humane and social objectives.

6. Older Workers

Turning to older workers, such factors as social security, private pensions, and possible employment discrimination have caused labor participation rates, especially among males, to move steadily downward. For example, the participation rate of men aged 55 to 64 dropped from 87 percent in 1959 to about 72 percent in 1980. For men 65 and over, 34 percent of them were in the labor force in 1959 compared with 19 percent in 1980. Should actions be taken to reverse that trend, as the burden of supporting the aged grows for the rest of the population? In the final analysis, those who work pay for the support of those who don't work. Whether you have taxes for social security or not, you take resources out of current production to feed, clothe, and care for the health and well-being of the non-working population.

On the assumption that the birth rate in the 1980s will resemble the historically low rate of the 1970s, after the turn of the century the ratio of the dependent aged to the population as a whole will grow substantially. Should we try to encourage the aged to work more as time goes on, especially as their health continues to improve? The law extending the age for mandatory retirement to 70 rather than 65 is a step in that direction. The effects of this change on behavior aren't clear, although the decline in the participation rate of the elderly may almost have halted. There may also be interest in raising, over a period of twenty years or so, the regular legal retirement age for social security beneficiaries, from 65 to 68 or 70 years.

By far the greatest proportion of retirements in the 1960s and 1970s was voluntary. Additional tax incentives and some restructuring of the burden of fringe benefits—which are very high on employers who hire the elderly—could help to expand employment opportunities and persuade older workers to stay in the labor force.

Somewhat offsetting any burden of supporting the aged, is the relative decline in the number of dependent children, as a result of lower birth rates. The net effect of these diverging trends suggests this burden on those who work is not likely to increase very significantly as a result of demographic factors until the second decade or so of the twenty-first century, when the proportion of the retired aged in the population is expected to rise dramatically.

7. Prime-Age Workers

In contrast, the sizable middle cohort (covering those aged 25 to 44) has encouraging economic implications. While the number of new entrants goes down, most of the people who remain in the labor force are

moving into the middle, "prime" age cohort. They are considered "prime" because they are usually regarded as experienced workers—steady, dependable, and at the height of their productivity. They also experience less unemployment than other groups. The age group 25 to 44 constituted about 45 percent of the labor force in 1979 and should comprise 50 percent by 1990. This increase should help to raise productivity and economic growth and lower unemployment.

However, there are some problems. This cohort has usually enjoyed rapid promotions, with higher wages reflecting accumulated job experience and access to supervisory positions. In the 1980s, however, its members will be so numerous that competition for such opportunities will become intense. As there will be fewer young people to supervise, the number of supervisory openings will be small relative to the size of the prime age cohort. Thus, there may be a smaller wage advantage for this group than has historically been the case. The generally reduced opportunities for advancement may result in greater dissatisfaction with work, and perhaps higher rates of unionization among this group.

8. "Humanization" of Work

This leads us to the whole question of work, and how its meaning and character may change. Reports repeatedly suggest that large numbers of workers are dissatisfied with the nature and character of the work they are doing. From a third to 40 percent steadily report that they are working beneath their full skills, that they have very little responsibility or control over their work or room for creativity. Some companies and some unions are beginning to recognize this problem. Important experiments are going on at the General Motors Corporation and the Ford Motor Company with the United Auto Workers. In the steel industry, labor and management are also taking similar steps—in trying to reorganize work to pass greater responsibility down to work groups on the shop floor. Until now, such efforts have largely been fragmented in small company experiments, but they could develop into an important social movement. The redesign of work to take account of the fact that we have a better educated work force, most of which is somewhat less fearful of a great depression than has been the case in the past, and one which is potentially much more creative, could be one of the keys to improving productivity.

However, the "humanization" of work in the 1980s and 1990s, the shift of greater scope and responsibility to the worker, and a revamping of the typical company authority hierarchy will not occur automatically. Such changes will depend upon new attitudes by both management and labor, as well as a greater ability to work together on workplace and larger economic problems.

THE IMPACT OF DEMOGRAPHIC CHANGES ON EDUCATIONAL POLICY

By K. Forbis Jordan*

1. Introduction

In contrast to other social service programs, the governance system in the United States has resulted in education being a State responsibility, a local function, and a Federal concern. This structure places State governments between the Federal government and the actual delivery of educational programs and services. With few exceptions, Federal programs must rely upon State and local governments for the actual conduct of educational programs and services.

Historically, two approaches have been taken to implement Federal policy in education. The "carrot" of categorical aid has been used to encourage educational institutions to start specific activities or programs. The "stick" of legislation, regulations, or court decisions has been used to change the method of operation in educational institutions.

Basically, Federal funds have been used to supplement State and local efforts. In contrast to some other program areas, the Federal fiscal effort in education has been relatively minor: Federal funds for elementary and secondary education comprise about 8 percent of the total spending; for higher education about 15 percent; and for vocational education less than 10 percent. These Federal efforts take different forms. Funds for vocational and elementary and secondary education are used to conduct identifiable programs. Federal funds for higher education provide grants and loans to students, with limited funds for research and institutional development.

2. Demographic Changes and Their Possible Impacts

As one contemplates the next two decades and considers the predictions of increasing unit costs for educational services and the political implications of the changing age composition of the population, education will likely find itself engaged in a serious competition for funds among various social services. The dramatic enrollment growth of the 1950s and 1960s is not predicted for the remainder of the century. In fact, demographic projections show a decline in the age groups typically served by education programs. However, demographic projections do indicate that elementary school enrollments will begin to rise slightly in the mid-1980's. This is due primarily to an increase in the number of women in the child-bearing age cohort—children of the baby boom reaching maturity—rather than an increase in the number of children born to each woman. Other demographic trends

*Senior Specialist in Education, Congressional Research Service.

suggest several paradoxes or points of conflict that have potential implications for educational policy.

First, the increase in the number of single-parent or two-wage-earner families will contribute to increasing pressures for child care services at the preschool level and extended day care supervision for school-age children. These pressures will come at the same time that tax and expenditure limitations will be forcing budgetary cuts in social services and recreational programs. Parents with sufficient income can purchase services from the private sector, but others will not have the economic power to make this choice.

Second, even though the population of the inner cities is declining, the remaining citizens often require high cost social services. Cities tend to have higher percentages of the elderly population and minority youth. This latter group constitutes a major employment problem. They either are not in school or are performing below the expected level, and they are more likely to be culturally deprived and non-English speaking. Consequently, even though school enrollments may be declining, costs may not decline because of the high cost of adequate education programs for the "high needs" student population and the impact of inflation. Older cities have the additional problem of a decline in available resources because of a shrinking tax base. These school districts with declining enrollments find themselves victimized by one of the traditional myths of school finance—a unitary increase in enrollment results in a unitary increase in costs with the assumed logical corollary that a unitary decrease in enrollment will result in a unitary decrease in costs. As the paper by Paul Ginsburg aptly illustrates, this may not be the case for declining enrollments. Urban school finance problems have been further complicated by the school finance property tax reform movement; it often has worked to the disadvantage of the cities because of their relative wealth and the smaller proportion of their school-age population in the public schools. This inflates the measure of fiscal ability per public school pupil.

Third, the emergence of energy boom towns in previously low-populated areas may result in pressures for programs like Federal impact aid on a short-term basis, to compensate for the delay between the time that families arrive and revenues are available from taxes on the new industry or newly-constructed residences. Increases in State funds for education to the locality are not likely to be sufficient to pay the full cost of educating the additional children.

Fourth, even though the rate of growth for overall school enrollments may have declined, some jurisdictions find themselves confronted with educational problems of even greater magnitude. The increasing numbers of non-English speaking children and the influx of refugees from areas such as Cuba, Vietnam, and Haiti result in school districts having to provide special high-cost services and programs. Language and cultural differences interact in a manner that forces the impacted school districts to operate multiple programs when other districts can continue to provide traditional and less complex educational programs.

Fifth, even though the typical age group for higher education may be stable or declining, higher education enrollments may increase with an influx of retirees and middle-aged persons completing an inter-

rupted collegiate education or pursuing avocational interests. As institutions respond to this demand, pressures will mount for greater institutional flexibility in program offerings and scheduling. Fee structures may have to be revised so that students pay the full costs of vocational courses, but institutions may expand the current practice of permitting senior citizens to enroll at no cost or with reduced fees on a space-available basis in regular classes.

3. Demography, Energy, and Economics

The interaction of these demographic developments with economic and technological changes may force a critical examination of the manner in which schools operate. Interest in energy conservation, declining enrollments, competition for funds, and cheaper technology may contribute to changes in education and schooling. Will the traditional five-day school week be maintained with schools also serving a secondary role as custodial institutions, or will learning and the educational process change to promote increased use of home-based education, such as home computers, video cassettes, and cable television? Even though such changes might disrupt traditional lifestyles and raise questions of how to provide day care for two-earner families, pressures for energy conservation may promote these and other similar adjustments. Tax and expenditure limitations for public services, such as Proposition 13 in California, may also contribute to the potential "educational revolution" as school officials seek to curtail expenditures. Innovation and creativity along the lines hypothesized above may emerge out of necessity.

Provisions of Public Law 94–142, the Education for All Handicapped Children Act, and the fiscal impact that accompanies this statute's requirement of a "free appropriate education" for all handicapped children may contribute to society being confronted with another dilemma—will the public schools pay the full cost of educating and providing maintenance of all handicapped persons irrespective of the severity of the handicapping condition or type of care required, or should some other public agency assume a portion or all of that reponsibility? What other options might be considered?

A continuing dilemma will likely revolve around balancing the interests of minimum competencies and educational quality. During the decade of the 60's, various efforts were made to increase educational opportunities. Compensatory programs were provided for underprivileged and neglected children. A higher percentage of school-age persons began to stay in school longer. Special programs were provided for needy children, but similar efforts were not made for the gifted and talented. At issue is whether efforts to assure that all students possess basic survival skills or minimum competencies will result in mediocre development of the most able.

4. The Federal Role in Education and the Form of Aid

Of all educational areas, demographic changes may impact most on higher education. While the traditional age group from which higher education enrollments usually flow will be smaller, the demand may come from other sources—women entering the labor force at midlife.

retirees, and persons seeking retraining desire different educational outcomes.

The debate about the optimum form of Federal aid for higher education will likely continue—grants vs. loans vs. tax credits vs. institutional aid. In postsecondary education, the current Federal program of loans and grants places economic pressures on institutions to respond to student demands. One concern is that the institutions may neglect certain academic areas because of low student demand even though they may be considered to be of vital importance to the social and economic well being of the Nation.

Federal funding for vocational education provides an example of a continuing issue over the form that Federal aid should take. Support to maintain existing programs has been provided for decades. A major issue is whether the limited amount of Federal funds should be used to support existing programs or to encourage certain Federal interests such as equal access and programs for special populations. Continuing to do both at a low funding level may increase the potential Federal leverage or control over programs, but may not be enough to produce the results desired.

Another policy issue is the form that Federal funding for elementary and secondary education should take. Should funding continue in the form of categorical aid for specific programs, or should consideration be given to a greater use of the block grant approach that would permit states and localities to choose more freely which programs and services to finance? Some contend that the maze of Federal programs has become so complex that they do not complement each other and actually inhibit the efforts of local districts to provide maximum services to students. Local school officials complain that planning and paperwork requirements have become overly burdensome.

Legislative requirements of the 70's concerning maintenance of effort, the supplementary role of Federal funds, and full service levels for handicapped children assume that educational revenues will remain constant or continue to grow and that programs initiated by States and localities will not duplicate those funded by the Federal government. These assumptions may not be valid during a period of shifting age composition of the population and a reduced rate of growth for both the population and the economy.

DEMOGRAPHY AND INCOME MAINTENANCE PROGRAMS

By P. Royal Shipp*

1. Introduction

Income maintenance programs constitute the largest expenditure category in the Federal budget. Sometimes called income security or income transfers, these programs will account for some $383 billion in 1983—about half the Federal budget. They constitute by far the largest share of "uncontrollable" Federal expenditures, because eligibility and benefits are specified in the law and become treated as "entitlements"—outside the reach of the annual appropriations process.

Although experts differ about the specific areas to be included as income maintenance (for example, medicaid and medicare are included in the $383 billion figure) essentially these programs transfer tax revenues from those who are working in order to pay benefits to individuals and families who are not working.

Program benefits are paid directly to individuals and families, most often from the Federal government. States pay benefits in some programs with the Federal government contributing part of the costs. Laws authorizing these programs establish criteria under which certain people are eligible or ineligible. In all income maintenance programs demographic factors are important in determining eligibility for benefits; in most programs, they are the most important factors.

While not the only determinants of eligibility for income maintenance programs, demographic factors weigh more heavily in programs whose benefits consist mainly of cash and in-kind benefits paid directly to recipients than in most other programs. In addition to demographic characteristics, income determines eligibility for some income maintenance programs—with health being a factor in others. But even nondemographic eligibility factors (such as income) are usually coupled with a demographic characteristic in establishing eligibility. For example, the Aid to Families with Dependent Children (AFDC) program provides payments to low-income families, but mainly to single-parent families with children. Social security eligibility is determined by age and work history, but benefit amount is affected by average earnings over time, with low-income workers getting a larger percentage of their preretirement income replaced by social security benefits than do beneficiaries with higher lifetime earnings.

The cornerstone of the income maintenance system in the United States is the Social Security Act of 1935. Although only 10 pages long when enacted, compared to 555 pages in the latest "amended" version, the original act contained provisions for Unemployment Insurance (U.I.), Old Age and Survivors Insurance (OASI), Aid to Families

*Senior Specialist in Social Legislation, Congressional Research Service.

with Dependent Children (AFDC), and Public Assistance for the Aged and Blind, the forerunner of the current Supplemental Security Income Program for the Aged, Blind and Disabled (SSI).

Since enactment of the Social Security Act in 1935, the basic structure of the programs has changed somewhat in response to demographic, and other conditions. It is likely that programs whose participation and costs are largely determined by demographic characteristics will continue to change in response to demographic changes.

The difficulty of making projections about future characteristics of the population should not deter analysts from thinking through the implications of possible future patterns. While all income maintenance programs will be affected by demographic changes in some ways, the discussion here will be limited to likely programmatic impacts of four important demographic changes.

In recent months, social security's financial problems have dominated reports about this program which transfers $11 billion to 36 million beneficiaries each month. Action was taken only 5 years ago to solve social security's financial problems through the end of this century. In 1977, the Congress enacted major amendments which would, in President Carter's words, "guarantee that from 1980 to the year 2030, the social security fund will be sound."

However, subsequent Congresses have faced continuing financial difficulties and are currently faced with the likelihood that even by combining resources of the three trust funds there will be insufficient funds to make payments through the middle of this decade.

This shortfall is referred to as social security's "short-term" financial problem, and arises because of adverse economic conditions. The unemployment rate has stayed higher than expected and increases in prices have outstripped wage growth since 1977. High unemployment drains the trust funds because it means that fewer workers are paying payroll taxes. Furthermore, since benefits are tied to price increases while revenues into the system are tied to wage increases, the recent excessive growth in prices relative to wages has had a substantial negative impact on the trust funds.

These serious short-term problems result from policies based on economic assumptions which proved to be overly optimistic. While demographic conditions also affect social security costs, demographic characteristics are relatively stable and short-run miscalculations are infrequent.

However, there is a second social security financing problem—one which affects the program in the long run. The reasons for this long-term problem are clearly demographic. Of course, the extent of this long-term financial imbalance depends greatly on economic performance, but even assuming favorable economic performance (which most assessments of the long term do), demographic trends by themselves indicate a serious problem.

This long-term demographic imbalance has been recognized. Even with the optimistic economic assumption underlying the 1977 Social Security Amendments, a large financial deficit showed up about 40 years in the future. The financing arrangements of the 1977 amendments implied that expenditures would exceed tax revenues starting in 2028.

Currently, all the demographic news is "bad" as far as social security is concerned. That is, demographic trends will lead to pressures for larger social security expenditures and smaller revenues. In particular:

1. The decline in the birth rate.—In 1800 an average of 8 children were born to each woman who survived to the age of 44. After 1800, the birth rate fell steadily until World War II. Immediately after the war, the birth rate rapidly increased 60 percent to a peak in the late 1950s. Then in the next 20 years, the birth rate fell again, this time, by half. Today the birth rate of 1.76 children per woman is below the rate of 2.1 children per woman needed on a long-term basis to replace the current population. The decline in the birth rate may mean there will be fewer workers in the future to support retirement programs.

2. Retirement of the baby-boom generation.—At the beginning of the 20th century, 4 percent of the U.S. population was 65 and over. Today, this group has grown to 11 percent of the population and, when the baby-boom generation retires early in the next century, the percentage of the population age 65 and over may double again, reaching 22 percent about the year 2035. The long-run consequences of a declining birth rate and an increasing proportion of retirees will include putting a great strain on pay-as-you-go retirement systems such as social security.

3. Decline in mortality rates.—Average life expectancy in the United States rose from about 47 years in 1900 to almost 60 years in 1930. By 1950, life expectancy was 68 years and during the last decade mortality rates have been rapidly falling, primarily due to new breakthroughs in the treatment of heart disease. The increase in life expectancies is particularly striking for women who, on average, live 7 years longer than men. The Bureau of the Census has predicted that today's life expectancies—about 73 years—will be increased by 2.7 years for men and 4.0 years for women by the year 2050.

4. Increases in early retirement.—In 1890, 68 percent of all American men aged 65 and over were still in the labor force—either working or looking for work. By 1930, this percentage had declined to 54 percent and by 1955 was down to 37 percent. In 1976, under 20 percent of men over age 65 were in the labor force. This decline in labor force participation rates is largely attributable to retirement programs that permit workers to retire at progressively younger ages. While there is some evidence that economic pressures caused by inflation and better health have stabilized this trend, it remains clear that many workers prefer to retire as early as possible.

The combination of these demographic factors suggests a bleak long-term actuarial future for social security. This is best portrayed by comparing the projected numbers of workers paying taxes to the number of retirees receiving benefits paid for by the taxes of those workers. This ratio was 5 to 1 as recently as 1960, now it is 3 to 1, representing the maturity of the social security system. The system has maintained this 3 to 1 ratio during all of the 1970s and it is expected to remain relatively stable, increasing only slightly, for the next 30 years. However, about 2010, as the baby-boom generation begins to retire, the ratio declines sharply, reaching 2 to 1 by the year 2030 and maintaining that level until the mid-21st Century. (See chart 1.)

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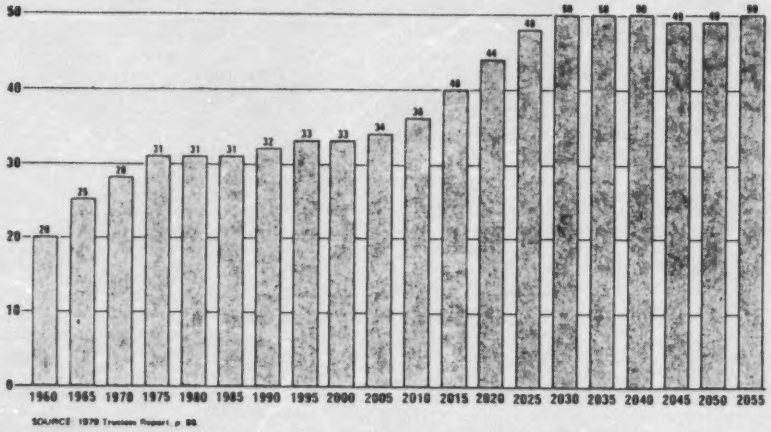
CHART 1

Number of OASI Beneficiaries Per 100 Covered Workers, 1960-2055



SOURCE: 1979 Trustees Report, p. 56

While the number of elderly will be much greater as a percent of the total population as demonstrated by these ratios, the percent of the nonworking dependents who are younger (school-age and younger children) will be lower. This may enable some resources which formerly had been devoted to the young to be used for support of the elderly. However, for two reasons it would be unwise to count on such a solution:

1. Resistance to cutting back on expenditures on the young may develop even though there are fewer of them. (For example, student/teacher ratios can become smaller and/or schools can be directed more toward adult education.)

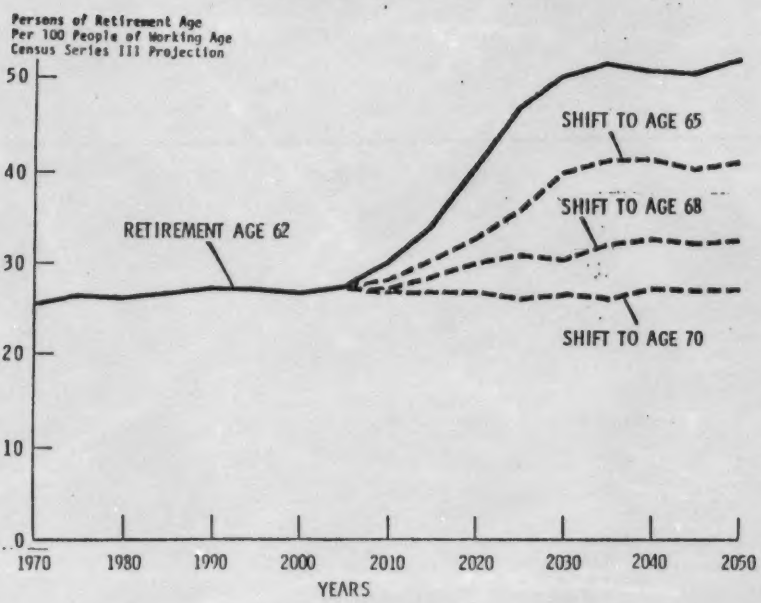
2. Estimated expenditures per capita for the elderly are approximately three times as great as for dependent children.

Thus, under the present actuarial projections, a very large deficit exists in the social security system for the second quarter of the next century. Deficits in social security are usually described as being a certain percent of taxable payroll. The long-term deficit for the years 2031 to 2055 is currently estimated at almost 4½ percent of taxable payroll, which would translate into a deficit of around $57 billion per year in today's terms.

The "long-term" is a long way off, and a number of options are available for dealing with the projected trust fund deficit. For example, taxes could simply be raised as necessary. On the other hand, demographic conditions could turn out to be more favorable to the social security trust funds. If, for example, the birth rate rose or the trend of women entering the work force continued, much of the long-term pressure could be relieved. Chart 2 shows how sensitive the long-term situation is to length of work life. If the trend to early retirement were revised and the average age at retirement were raised to 68, most of the long-term financing problem would be resolved.

CHART 2

DEPENDENCY RATIOS



Source: OMB Technical Staff paper

2. The Increasing Proportion of Women in the Work Force

One observer has noted, "Of all the interwoven developments of the postwar period . . . perhaps none have colored the fabric of public and private life as has the rise in female labor force participation." The statistics are dramatic. The number of working age women in the labor force has increased from one-third to one-half in just 30 years. It is estimated to increase even more—to 60 percent by 1990. Corresponding to this, during the past 20 years, the proportion of families with two workers or more has increased from 42 percent to 62 percent.

These demographic shifts may have widespread effects on income maintenance programs in general. Two specific impacts will be discussed briefly here.

The treatment of women under retirement income programs—particularly under social security has recently received considerable attention. The benefit structures of these programs, while not explicitly discriminatory, tend to reward certain types of work patterns which have been more typical of men than of women. Most retirement income programs were designed during the 1930s or earlier when women were much less likely to be in the work force. Specifically, retirement income programs provide benefits based on years of work, continuity of work, tenure with a specific employer, and salary level.

Many women workers do not fit these categories, and they fare less well in receipt of retirement income benefits. While it is possible to make changes in the programs to be more responsive to women's working patterns, any changes which result in greater benefits going to certain beneficiaries must be paid for—either from increases in taxes or from reductions in benefits to other recipients—or some combination of these.

The increasing percentage of two-earner families raises questions about the unemployment insurance program. This program was designed to replace wages of a worker so that he and his family would be able to survive periods of temporary unemployment without undue hardship. However, those families with two earners do not have the same problem if one of the earners loses his or her job. Under these circumstances the family might be able to get along temporarily on one salary. This situation may lead to different ways of thinking about unemployment insurance. The Revenue Act of 1978 brought a part of unemployment insurance benefits under taxable income for the first time. In explaining the reasons for this change the report of the Committee on Ways and Means states ". . . that the present total exclusion of unemployment compensation benefits paid under government programs tends to create a work disincentive in that it increases the incentive to remain unemployed, the length of unemployment and the consequent cost of maintaining unemployment coverage. Thus, for taxpayers with other income during the year, the bill subjects to income tax a portion of unemployment benefits." Although two-earner families are not singled out specifically in this provision, they clearly meet the criterion of having other income. Future proposals for further changes to strengthen work incentives in the unemployment insurance program could include taxation of all unemployment insurance benefits. This would strengthen work incentives and could use the same rationale of being appropriate in cases wherever the family has other substantial income.

3. Changing Family Composition

Demographic changes in family composition could have an impact on the "means-tested" income maintenance programs. (These are programs such as AFDC and SSI whose eligibility and benefits are based in part on low income and resources. As mentioned above, demographic factors such as age and family composition also are used to determine eligibility.)

The main population group served by the AFDC program are families with children and only one parent at home. Thus the increases in single-parent families and in teen-age pregnancies—other things being equal—increase the population potentially eligible for AFDC.

The number of single-parent families has increased from 8.5 percent of total families with children under age 18 in 1960 to 18.9 percent in 1978. At the same time, the number of children born out of wedlock doubled to over one-half million in 1978. The projected ratio of total live births out of wedlock to all births increased from 5.3 percent in 1960 to 16.3 percent in 1978. Not all single-parent families are eligible for AFDC since they also have to meet the income and resources test. Current poverty data indicate that these increasing popu-

lation groups are more likely to be poor than is the population in general. For example, in 1978 9.1 percent of the families in the United States had incomes low enough to be considered poor. The poverty rate for two-parent families was lower—5.2 percent. However, 31.4 percent of female-headed families were poor.

Trends in the AFDC program are consistent with these demographic trends. In recent years the number of families receiving AFDC has increased from 2.5 million to 3.5 million. However, this increase has not been accompanied by a growth in the overall caseload, as average AFDC family size has declined. In general, the AFDC caseload is currently characterized by younger mothers who are better educated and who have fewer children. The proportion of AFDC mothers who are not married has increased from 15 percent in 1948 to 33 percent in 1977—again consistent with demographic trends.

The continuation of these demographic trends suggests that the present set of welfare programs needn't be completely reformed since the system is designed to provide support to single-parent families with children. It does, however, seem likely that there will be more pressure for the current younger, better educated AFDC mothers of children to be involved in work training and registration programs, to help them achieve independence from welfare.

4. The Trend Toward the Older Elderly

Demographers agree that one trend which will seriously affect income maintenance programs is the increasing number of the very old. If current demographic projections are accurate, the number of persons over age 75 will increase as a proportion of the total population and of the elderly population as a whole. By the middle of the next century it is estimated that those over age 75 will increase from 4 percent at present to around 10 percent of the total population. There will be more people over age 75 in the population at that time than there are over age 65 now.

Females make up about two thirds of the older elderly. The poverty rate for very old women is also disproportionately high—at 22.6 percent. This rate is more than twice that for the population as a whole and nearly twice that of the very old males.

These statistics are reflected in the current SSI population. Three-fourths of the aged population of the SSI program are women, and a greater than proportionate share of the SSI population consists of the very old.

Some experts point to the plight of very old women, particularly those living alone, as the most serious poverty problem remaining in the United States. The projected expansion of the very old population will prompt additional calls for program reform and will continue pressure on the SSI program to meet the needs of this relatively impoverished group.

CHANGING DEMOGRAPHY AND FEDERAL HEALTH PROGRAMS

By Glenn R. Markus*

Changing demographic factors in America will have a major, though somewhat uncertain, impact on the design and purposes of present Federal health programs. It seems quite clear that the "aging" of the population more than any other single factor will pose particular challenges for future policy-makers in the health area.

1. Changing Health Problems

Not only has life expectancy changed dramatically since 1900—from about 47 years at the turn of the century to 72 years in 1975, there has also occurred a dramatic change in the concentration of deaths by age group. Today, about two-thirds of the deaths occur among persons 65 and older; but, in 1900, those under 15 accounted for 45 percent of all deaths and those 65 and older for only 17 percent.

Accompanying this longevity there has also occurred a major change in the causes of illness within American society. Infective and communicable diseases were the major causes of illness and death in the population of 1900. Smallpox, diphtheria and hookworm, virtually unseen today, were among the major scourges in the nation 75 years ago. And the parasitic and infective diseases that accounted for about one-third of the total illness costs of that bygone era have dropped to about two percent or less of the total today. Similarly, diseases of the respiratory system have also declined in relative importance. Today, and for the foreseeable future, we will face the diseases and chronic conditions of the aging process and longevity; the diseases of the circulatory system; the various neoplasms (cancers); and mental disorders.

It is the "graying" of America, then, that clearly represents a priority area for attention by future Congresses in the area of health. There are also other forces that will have program consequences in the health field. These include changing population dispersal patterns and changes in the composition and organization of the family.

However, in order to assess the impact of demography on Federal health programs, it is important from the outset to recognize that the relationship of such programs to the "health status" of people is often quite tenuous. Most major Federal health programs that we now have in place, or are now being discussed in Congress, have as their central objective not the promotion of health in America, but rather the economics of the health care industry and the economic security of the citizenry that seeks help from this industry.

*Specialist in Health, Congressional Research Service.

It is increasingly apparent to many observers of the American landscape that improvements in the environment, changes in personal life-styles, and a greater understanding of human biology are the significant elements of improved personal and public health status. Mark LaLonde, a former Canadian Minister of Health and Welfare has said it rather well:

> While it is easy to convince a person in pain to see a physician, it is not easy to get someone not in pain to moderate insidious habits in the interest of future well-being. Nor is it easy to make environmental changes which cause social inconvenience when the benefits of those changes fall unevenly on the population and are apparent only over the long term. The view that Canadians have the right 'to choose their own poison' is one that is strongly held.

Obviously, the Canadians are not the only North Americans to hold such views.

It seems intuitive that good health is preferable to illness; and that a longer life is better than a short one. But there are also limits on the extent to which individuals and communities are prepared to sacrifice certain immediate pleasures or indulgences and personal preferences in order to "remain healthy." There are also real limits on the willingness to tolerate inconvenience or sacrifice to promote the same objective for others. In our democratic process, therefore, it is not surprising that the government often focuses its interest in health programs on matters other than health per se.

2. Health Financing Programs and Economic Security

The most important Federal health programs, as measured in dollar terms, have as their objective guaranteeing economic security for certain groups against the costs of receiving treatments for illness or disability. Most of the Federal health dollars, now and in the next 20 years, will go to help pay for services provided to the aged and disabled under Medicare; for the poor through programs like Medicaid; and to veterans with service- and non-service connected conditions.

The "aging of America" as described earlier in this volume will have a direct and dramatic impact on these programs. There will be an increase in the demand for services that will reflect the increases in numbers of older people. This, of course, is because the government has assumed the major financial responsibility for the elderly in America. But the most important impact of the changing age of our population will take place because of the sharp increases in the number of older, older people—those 75 or 85 years of age and older.

The present health system in America has, as its major emphasis, the "curing" of illness or coping with the immediate consequences of accidents by means of active medical intervention. This system has performed remarkable feats in dealing with infective diseases, with episodes of acute illness and with some of the trauma that afflicts the human body. Aided by the most sophisticated technology, our modern health practitioners employ pharmaceuticals, surgical techniques, radiology, and prosthesis to combat sickness and injury. Our health security programs are oriented toward financing such costs of care.

Shifting from "cure" to "care".—But, it is the chronic condition that is the by-product of the aging process that will represent the major challenge for the American health system in the 1990's and beyond. Can a system that is organized to "cure" the sick change itself to

"care" for the aged, disabled Americans of the future? Some observers of the present system of health care in the United States are worried that, as the numbers of elderly increase and their ages also increase, so too will the demand for services that today's health industry may not be able to provide.

For growing numbers of aged, a sheltered though perhaps not institutional environment may be needed. Will the personal care services needed by many of these people be available? Will such services be provided at home, or will the demand for facilities similar to nursing homes explode over the coming decades? Will the way in which the government chooses to pay for such services shape, as it has in the past, the response by the health industry to these needs? There is probably no greater public policy challenge to future Congresses in the health area than the fashioning of an effective, coherent and compassionate long-term care system for older people in the years to come.

As the population ages, the future outlook is one of essentially more illness in the society. But there are also many unknowns. Progress may be made by the year 2000 toward the reduction of disease in the population, including scientific advances that eradicate or provide cures for some of the impairments that cause long-term infirmities, such as diabetes. But additional scientific progress may also mean additional lengthened but impaired lives, and more rather than less sickness with which our society must come to grips in the 21st century.

3. Health Resource Development Programs

In addition to the Federal programs that help finance the costs of personal health services, many programs have been enacted by Congress over the years to increase the supply and improve the organization and distribution of health resources such as personnel, equipment and facilities. Changing demographic factors will have an impact on these programs as well.

a. Health manpower.—Most current health manpower policies and programs encourage the training of manpower to staff the acute care needs in the country. Such policies and programs seem to have little in them to encourage students to pursue careers in such areas as geriatric medicine, the rehabilitative sciences, or in the emotional disorders and discomfortures of the aging process. Such personnel, already in relatively scarce supply, may be hard pressed to meet the future demands for their skills in a population characterized by growing numbers of older people.

Most personnel in the health field today are trained for service in the acute-care system. How can programs be changed to make careers working with older people as interesting and as lucrative as working with the acutely ill? It will be difficult, time-consuming, and probably expensive, to find and impart skills needed for the treatment of patients who have chronic and disabling conditions of an indefinite nature.

b. Health facilities.—There are similar questions about health facilities and other capital resources that may be required to meet the needs of larger numbers of older people. There is already evidence that the acute-care hospital system is probably too sophisticated and too expensive to efficiently provide basic support services for many persons whose health infirmities stem from the natural process of aging. Most of our

institutions are centers of technology, equipped and staffed for those who require and can benefit from intervention medicine. Most of these facilities offer comparatively little for the chronically ill or the disabled, who require much in the way of "care," little in the way of "cure."

Our long-term care facilities are a collage of institutions that provide a wide range of services to persons with equally wide-ranging needs. In some communities, the waiting lists for placement in the "right kind of facility" can be extensive. In other communities, an elderly person remains in an acute-care facility far too long, because viable alternatives, including systems to support the individual less expensively in his own home, are lacking.

Even if sufficient manpower and facilities are present, the major health care financing programs shun paying for many needed services, because such services often lack a significant acute-care health component. Redirection and rationalization of the major health financing programs is an essential part of any coherent policy response to the problems of an aging America.

c. Changing geographic distribution.—Obviously, aging is but one of the factors that will confront health policy-makers over the next two or three decades. The population's changing pattern of settlement will radically alter the geography, the demand, and the politics of health resource allocation. For some communities, the problem will continue to be inadequate resources to meet population demand. But in other communities, the problem in the health (as in education and in other areas) will be how to preserve basic services while reducing excess capacity, such as closing down hospitals because of changes in the number or mix of the local population. The declining birth rate in the United States has already had a major impact on many hospital obstetrical/pediatric units. Imagine the consequences of a significant dispersal of population away from the large metropolitan areas to smaller metropolitan and rural areas.

In fact, one of the major shortcomings of existing health resource programs is that they are "growth" oriented. They have as their principal purpose increases in the supply of resources, in terms of personnel or facilities. Changing demographic factors, however, will stimulate future Congresses to devise and consider new programs for the orderly reduction of excess resource capacity in particular locales. Though politically unpopular, constriction is being and will be forced upon many areas of the country, simply because there no longer exists the wherewithal economically to support the resource base of an earlier era.

The time may be fast approaching when some of our demographically based criteria for allocating scarce health resources—beds per 1,000 population, so many MDs per 10,000 people—will have to be scrapped in favor of other criteria. More regional sharing of certain higher-cost services may be required, together with a willingness to move the patients to the resources—rather than the resources to the patients.

4. Regulatory Health Programs

In addition to the financing and resource development programs, government is actively involved in the health area as a regulator of

much of the environment in which we live. Individuals by themselves cannot guarantee that foods, drugs, cosmetics, medical devices, the water supply, and the air are safe and uncontaminated. Government also pursues other "public" health objectives, such as effective sanitation and preventing the spread of communicable diseases.

Such regulatory programs will be directly affected by some of the demographic changes outlined earlier in this volume. For example, the population shifts that will produce the "boom towns" of the 1990s and beyond will focus new attention on various human and industrial waste problems. In the future, policy-makers will have no respite from complex choices between jobs and health, energy needs and health, progress and health. Three Mile Island, Love Canal, asbestos in the schools, lead in the paint, and kepone in the river may be only the tip of the regulatory iceberg.

5. Other Demographic Factors and Health Programs

Other demographic factors may have a major impact on health-related issues. The changing American family and workplace—especially with more women than ever before engaged in regular employment—will have a profound effect on employment-based fringe benefit programs, including health benefits.

Increasingly, the States and the Federal Government are requiring that various benefit features be included as part of work-based health programs. Other changes are extending significantly the definitions of dependency under private arrangements to provide protection to some individuals in the family who previously have not been considered the responsibility of the workplace. Those newly entitled to private benefits include some people who might otherwise look to public aid to help meet the costs of health services—certain dependents beyond their majority, such as the handicapped or retarded; workers and the dependents of workers who are temporarily between jobs; the dependent victims of the dissolution of marriage; and the dependents of the deceased wage-earner. Many of these developments result directly from changing demographic factors, and may thoroughly alter the definition of the program responsibilities for members of the worker's family in the future.

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